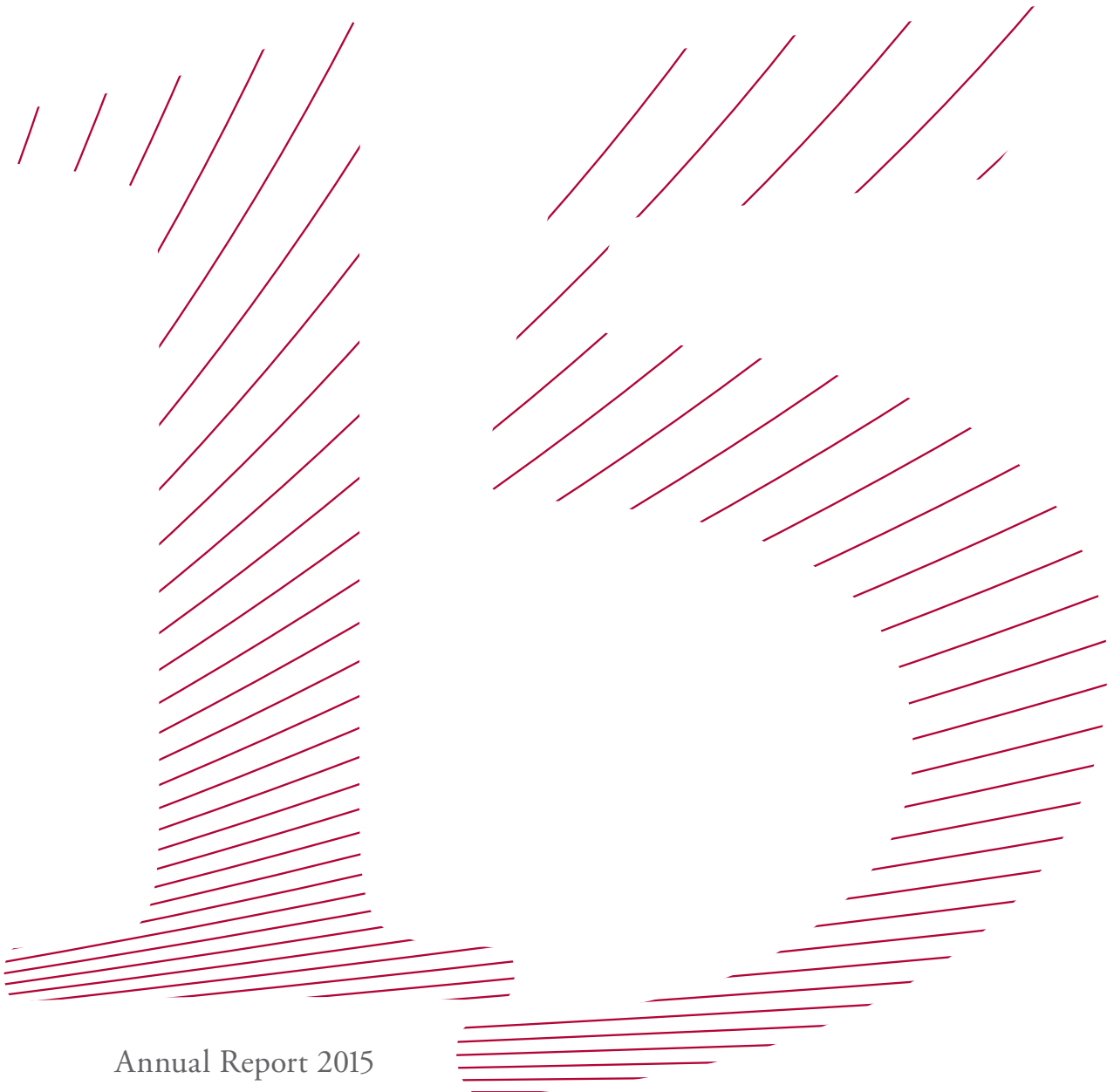




# FMA

Financial Market Authority  
Liechtenstein



Annual Report 2015



CORE PRINCIPLES		4
BOARD OF DIRECTORS		6
EXECUTIVE BOARD		10
1. SUPERVISION		14
	1.1 Macroprudential Supervision	15
	1.2 Banking Division	16
	1.3 Securities Division	28
	1.4 Insurance and Pension Funds Division	37
	1.5 Other Financial Intermediaries Division	45
2. REGULATION		54
	2.1 Cross-divisional Regulation	55
	2.2 Banking Division	57
	2.3 Securities Division	62
	2.4 Insurance and Pension Funds Division	64
	2.5 Other Financial Intermediaries Division	65
3. EXTERNAL RELATIONS		68
	3.1 National External Relations	69
	3.2 International External Relations	70
	3.3 Bilateral cooperation	78
4. ENTERPRISE		80
	4.1 Organization	81
	4.2 Corporate Development	82
	4.3 Finances	84
5. TEAM		94
SPECIAL TOPICS		
	Aspects of Supervision	
	Real Estate and Mortgage Market	
	Solvency II	
	FinTech	
	Peer Reviews	
ANNEX		96

The FMA is the independent financial market supervisory authority of Liechtenstein, ensuring the stability and credibility of the financial market, the protection of clients, and the prevention and prosecution of abuse.

**We supervise efficiently, consistently, and effectively.**

---

**We stand for sustainable regulation.**

---

**We pursue active dialogue.**

---

**We think and act entrepreneurially.**

---

**We respect and value each other within our team.**

---

- – We are independent in the fulfilment of our supervisory mandate.
- We grant licenses in a responsible and speedy manner, and our supervision is risk-based, close to the market, comprehensible, and fair.
- We orient ourselves by the best methods and practices of an integrated supervisory authority.
- We fight abuse and consistently punish violations of regulations and laws. In this way, we protect the clients of the financial centre and contribute to its good reputation and credibility.
  
- – We define minimum standards through regulation and further specify laws and ordinances with guidelines and instructions. For this purpose, we especially involve the professional and industry associations.
- We implement and enforce international standards. In doing so, we take account of the competitiveness and development of the financial centre.
- We stand for a good regulatory framework for the financial centre and advise the Government on questions relating to financial market strategy.
  
- – We engage in dialogue with our national and international stakeholder groups. We ensure that we are recognized as a competent and reliable supervisory authority in Liechtenstein and abroad.
- We contribute to international bodies and promote cooperation with other supervisory authorities. We represent Liechtenstein's interests in this regard.
  
- – We always follow the rules and practices of responsible and modern corporate governance. We employ our financial resources cost-effectively and efficiently.
- We offer our employees an environment where they enjoy working for the long term, and we promote their skills through basic and continuing training.
- We communicate as an enterprise in a business-like, transparent, and speedy manner.
  
- – We are a team, actively valuing each other in our interactions, and we identify with our goals and responsibilities.
- We are proud to make a contribution to the success of the FMA and the Liechtenstein financial centre.

Dr. Urs Philipp Roth-Cuony  
Chairman of the Board of Directors



### Ensuring stability

---

At the beginning of February 2015, a comprehensive revision of the Banking Act entered into force. With this revision, Liechtenstein implemented the European requirements of the CRD IV package into national law. In the view of the FMA, strong equity requirements for banks are the most effective means for securing financial stability. For Liechtenstein, they are even of exceptional importance: In comparison with Liechtenstein's GDP, the balance sheet totals of the banks are very high.

Liechtenstein has therefore attached special importance to the prevention of instabilities and has gone beyond the capital requirements set out in the CRD IV package. With the implementation of the EU Bank Recovery and Resolution Directive, a further important regulatory project is underway, which must be seen in the overall context of ensuring stability and client protection in the banking sector.

New rules also apply to insurance undertakings. The new solvency and supervisory regime that entered into force on 1 January 2016 aims to better protect the claims of insurance clients, increase the crisis resistance of insurance undertakings, and strengthen financial stability.

### European integration

---

During the reporting year, Liechtenstein celebrated 20 years of membership in the European Economic Area. Integration into the European single market has made the positive development of the financial centre possible and further advanced it. The insurance sector relies completely on this membership in the EEA. Market access in Europe continues to represent a suitable basis for the further development of the diversified financial centre. Using the argument of

equivalence of financial market regulation with the EU member states, Liechtenstein creates trust and reputation. Integration within the EEA thus has an impact also beyond Europe's borders.

### Tax transparency

---

In the reporting year, Liechtenstein and the EU concluded an agreement on automatic exchange of information (AEOI) for financial accounts. Data will be gathered in 2016 and mutually exchanged for tax purposes starting in 2017. The tax issue triggered a reorientation of the Liechtenstein financial centre in 2008. With the introduction of AEOI, this phase can be considered concluded. By implementing the global standard for information exchange, Liechtenstein is making an important contribution to preventing cross-border tax evasion. As part of its exercise of supervision, the FMA will closely accompany this process with a focus on the risk management of financial intermediaries.

### Combating money laundering and terrorist financing

---

With the increased threat of terrorism, policy has been focusing even more strongly on combating money laundering and terrorist financing. Liechtenstein has effective measures at its disposal for defending against money laundering and terrorist financing. These measures must be rigorously applied. As part of these measures, the FMA monitors compliance with the due diligence requirements by financial intermediaries and takes action in the case of violations. With the implementation of the 4th EU Money Laundering Directive, the fight against money laundering and terrorist financing is being further strengthened with comprehensive risk analyses and additional requirements on persons subject to due diligence. The penalty regime is also being strengthened.

### **New financial technologies**

---

A topic the FMA is increasingly confronting is that of new financial technologies. They have developed into an important driver of innovation and have the potential to change the financial industry in a profound way. FinTech business models represent an opportunity for Liechtenstein. Accordingly, the FMA endeavours to use and design regulation in such a way that innovative business models can be realized. For that purpose, the FMA has formed an internal competence team that serves as a contact point for companies and is part of the Government's programme on the promotion of innovation. As a supervisory authority, the FMA also deals with the risks of the new financial technologies. It must ensure that the protection of clients and trust in the financial centre as well as financial stability are safeguarded. For market access in the EEA, compliance with the European rules must also be ensured.

### **International administrative assistance**

---

In December 2015, new provisions on administrative assistance entered into force. The revision had become necessary because the Constitutional Court had found parts of the legal rules set out in the Financial Market Authority Act to be unconstitutional. The new rules take account of the constitutional requirements and fulfil the international standards of administrative assistance. Because of the suspensory effect of the judgment, the FMA was able to provide administrative assistance to foreign authorities without any interruption.

### **International relations**

---

Working meetings took place in Vienna, Munich, and Berlin during the reporting year. The talks with representatives from politics, public authorities,

and the private sector aimed to strengthen trust in the Liechtenstein financial centre and to promote knowledge. This representation of interests at the high levels of the hierarchy is only possible thanks to an outstanding network and the services of the Liechtenstein authorities and honorary consulates. Liechtenstein's efforts in the field of tax cooperation are being acknowledged and recognized in political circles. What is expected of Liechtenstein in regard to implementation is accordingly high.

### **Efficiency and effectiveness**

---

The scope of the FMA's duties has expanded considerably over the past years. At the same time, the demands on supervisory work and the complexity thereof have risen. While 16 laws were under the supervision of the FMA in 2005, that number had already risen to 27 by 2015. The number of pages of legislation has quadrupled. During this time, the FMA has taken measures to increase its effectiveness and efficiency and to improve the integration of the various divisions and staff units. This has kept staff levels stable and improved the quality of the FMA's external image. There are limits to increasing efficiency and effectiveness, however.

### **Personnel policy**

---

The Board of Directors adopted a comprehensive personnel strategy in the spring. The goal is to ensure the further development of personnel policy and to promote the attractiveness of the FMA as an employer. The personnel structure is characterized by a high degree of specialization. Sufficient availability of qualified personnel is thus crucial for the FMA to achieve its strategic goals. Flexible employment and work time models, digital mobility, and effective knowledge and competence management constitute important pillars of the strategy.



As a consequence of new regulations and highly specialized business models of companies newly established in Liechtenstein, the FMA's scope of responsibilities has further expanded, and the complexity of supervisory work has risen. In its planning, the Board of Directors therefore envisages a moderate increase in the number of employees.

### **Risk management and control**

---

As a supervisory authority, the FMA is exposed to a wide range of risks. The existing risk management and internal control system were redesigned in the reporting year with the creation of an integrated risk management and control system. The purpose of linking the systems is to increase their effectiveness.

### **Meetings of the Board of Directors**

---

The Board of Directors held ten regular meetings as well as several case-specific meetings. Additionally, a Strategy Day was held in July with the participation of the Executive Board. The Strategy Day serves to discuss developments with strategic importance for the financial centre and the FMA.

### **Personnel changes on the Board of Directors**

---

Bernhard Lampert left the Board of Directors effective 31 August 2015. He had assumed office at the beginning of 2010. The Board of Directors fully reappointed at that time had been mandated to establish the FMA as an international integrated and recognized authority in light of the increased requirements after the global financial crisis. The Government filled the vacancy by appointing Jürg Meier, Eschen, as a member of the Board of Directors effective 1 January 2016.

### **Expansion of the Executive Board**

---

Effective 1 July 2015, the Board of Directors appointed Martin Schädler as a member of the FMA Executive Board. Integrating the function of the Head of the Central Services Staff Unit into the Executive Board ensures that the strategically important topics of finance, human resources, and IT are represented at the topmost operational management level.

### **2015 financial statement**

---

The expenses for the 2015 fiscal year at CHF 19.2 million were 0.4% lower than the approved budget. Income before the state contribution amounted to CHF 17.6 million, or CHF 2.9 million above budget. Due to the surplus income and achievement of the maximum amount of reserves, the state contribution was CHF 1.8 million instead of the budgeted CHF 5 million. In return, the State of Liechtenstein is required to make an additional contribution if the FMA reserves fall below the minimum amount set out by law.



Mario Gassner  
Chief Executive Officer

### **New banking regulation**

---

The banking sector was confronted with an especially massive wave of regulations in 2015. On 1 February 2015, the amendments to the Banking Act and the Banking Ordinance as part of the implementation of the European CRD IV package entered into effect. In addition to stricter requirements on own funds, capital buffers, and the leverage ratio, tighter corporate governance rules and a harmonized sanctions regime were introduced.

The implementation also includes the Bank Recovery and Resolution Directive (BRRD). The BRRD creates a uniform framework for dealing with crises as well as the restructuring and proper winding-up of banks and investment firms. Implementation of these extensive banking rules requires the establishment of a national resolution financing arrangement and a resolution authority. The FMA is preparing a consultation report for the Government.

### **New supervisory system for insurers**

---

On 1 January 2016, the completely revised Insurance Supervision Act entered into force. Liechtenstein has thus implemented the EU Solvency II Directive including Omnibus II into national law in a timely manner. The previous static system for determining the capital adequacy of an insurance undertaking has been replaced by a risk-based system that defines new requirements in regard to governance, risk management, and reporting. The modern supervisory system makes appropriate qualitative and quantitative tools available to national supervisory authorities, allowing them to appropriately assess the total solvency of an insurance undertaking. Solvency refers to the own funds held by the insurer, i.e., the free unencumbered assets.

Own funds serve to cover all risks of the insurance business and thus to protect the needs of policyholders. In addition to strengthening the protection of insured persons, the risk-based supervisory approach also strengthens financial stability. The new supervisory system represents a paradigm shift for the risk culture of insurance undertakings. They are called upon to clearly identify their risks and to include those risks in their risk management. Solvency II entails far-reaching changes to the supervisory processes and instruments. While the old Insurance Supervision Act had 68 articles, the new law has 275.

### **Controlling cross-border risks**

---

An FMA communication on cross-border risks entered into effect on 1 August 2015. In the context of financial centres that are predominantly active in cross-border business, the risks associated with the provision of services for persons abroad are among the greatest risks for individual financial intermediaries and the entire financial sector. In its supervisory work, the FMA has always attached special importance to these risks. The FMA expects cross-border risks to be included in a comprehensive internal risk management system. The communication sets out the FMA's expectations in this regard vis-à-vis the supervised financial intermediaries. This achieves a uniform approach to dealing with cross-border risks in the entire financial sector, thus mitigating legal and reputation risks.

### **Abolition of the CHF minimum exchange rate**

---

On 15 January 2015, the Swiss National Bank abolished its minimum exchange rate of CHF 1.20 per euro and cut the interest rate for balances on current accounts that exceed a certain exempt amount to -0.75%. The FMA immediately examined the impact of these measures, with a focus on stability. The

examination showed that the strong Swiss franc was absorbed relatively well. The economic environment with the strong Swiss franc, the low or negative interest rates, and the regulatory pressure continues to be a challenge for financial service providers.

### **Real estate and mortgage market**

---

On 29 October 2015, the FMA conducted a public event on the Liechtenstein real estate and mortgage market. Experts from the financial and real estate sector discussed trends, opportunities, and risks. In front of an audience of about 150, the FMA presented the results of its report. It reached the conclusion that the risks arising from the real estate and mortgage market for the Liechtenstein financial industry and the overall economy have risen over the past two years. In light of the structural characteristics of the real estate market, the risks are considered to be moderate, however. The FMA has strengthened risk control of the banks' mortgage market business in the context of low interest rates, high real estate prices, and high mortgage loans over the past three years and has adjusted the legal requirements in regard to sustainability and amortization.

### **International administrative assistance**

---

In 2015, administrative assistance was requested from the FMA in 39 cases. This represents a slight decline in the number of requests received, but it is still a high level compared with other countries. The FMA attaches great importance to the training of its specialists. At the invitation of the FMA, experts from the US Securities and Exchange Commission (SEC) conducted training in Vaduz relating to measures against market abuse and insider trading. The training programme was attended by employees of the FMA, the Office of the Public Prosecutor, the

Financial Intelligence Unit, the National Police, the German Federal Financial Supervisory Authority, and the Austrian Financial Market Authority.

### **Regulatory projects**

---

The number of regulatory projects continues to be high. The implementing legislation for EMIR and market abuse, MiFID II, the Directive on Deposit Guarantee Schemes, the 4th Money Laundering Directive, and the Professional Qualifications Directive, as well as the complete revision of the Auditors Act are some of the projects that will have to be transposed into national law in the near future. The incorporation of the EU regulations on the European Supervisory Authorities into the EEA Agreement was still pending at the end of 2015. This delays incorporation of the important EU legal acts into the EEA Agreement concerning the powers of the European Supervisory Authorities, leading to a backlog of regulations and to a high level of implementation pressure in regard to incorporation of the legal acts.

### **Increasing complexity of supervision**

---

Several financial service providers have taken up domicile in Liechtenstein that work in highly specialized business areas. Examples include high-frequency trading, industrial insurance, or business models relating to the new financial technologies. Especially in the last mentioned area, the FMA notes a vibrant interest to become active in Liechtenstein. Liechtenstein is proving to be an attractive location for FinTech companies. These developments are very positive and strengthen the Liechtenstein financial centre. But they also mean that the complexity of supervision due to the new and highly specialized business models is increasing and that the FMA has to build up new expertise in this regard.

### **Efficiency, effectiveness, and integration**

---

The FMA is continuously working on increasing efficiency and effectiveness as well as on strengthening integration. Management specifically addressed the issues of stringency and proportionality. Within the field of supervisory law, proportionality refers to the tiered application of provisions on a case-by-case basis. Small, risk-averse financial intermediaries with a simple structure should be subject to lesser requirements in comparison with large, risk-seeking, and complex financial intermediaries. Stringency aims to eliminate redundancies and achieve uniformity and substantive coherence of the specialized supervisory legislation. Efficiency gains were also achieved during the reporting year through the further implementation of the IT strategy. The FMA is also working on providing continuous electronic support for its business processes.

been transacted with success. The specific reporting requirements to the European Supervisory Authority are also covered by this platform. Moreover, existing IT systems have been optimized and integrated. Physical documentation is increasingly being replaced by electronic records. Information and communication technologies offer great potential for efficiency and effectiveness gains.

### **Implementation of personnel strategy**

---

The Board of Directors adopted a comprehensive personnel strategy during the reporting year. Initial measures in the areas of health promotion, development opportunities, more flexible working hours, and mobile work have been implemented. The strategy attaches great importance to knowledge management. Using suitable systems and internal training, the FMA should make the best possible use of and convey existing knowledge.

### **Implementation of IT strategy**

---

The e-Service platform became operational in mid-2015. Information exchange between financial intermediaries and the FMA will now be conducted using this web-based channel in a secure and efficient way. Initial reporting requirements have already

SUPERVISION  
FMA Annual Report 2015

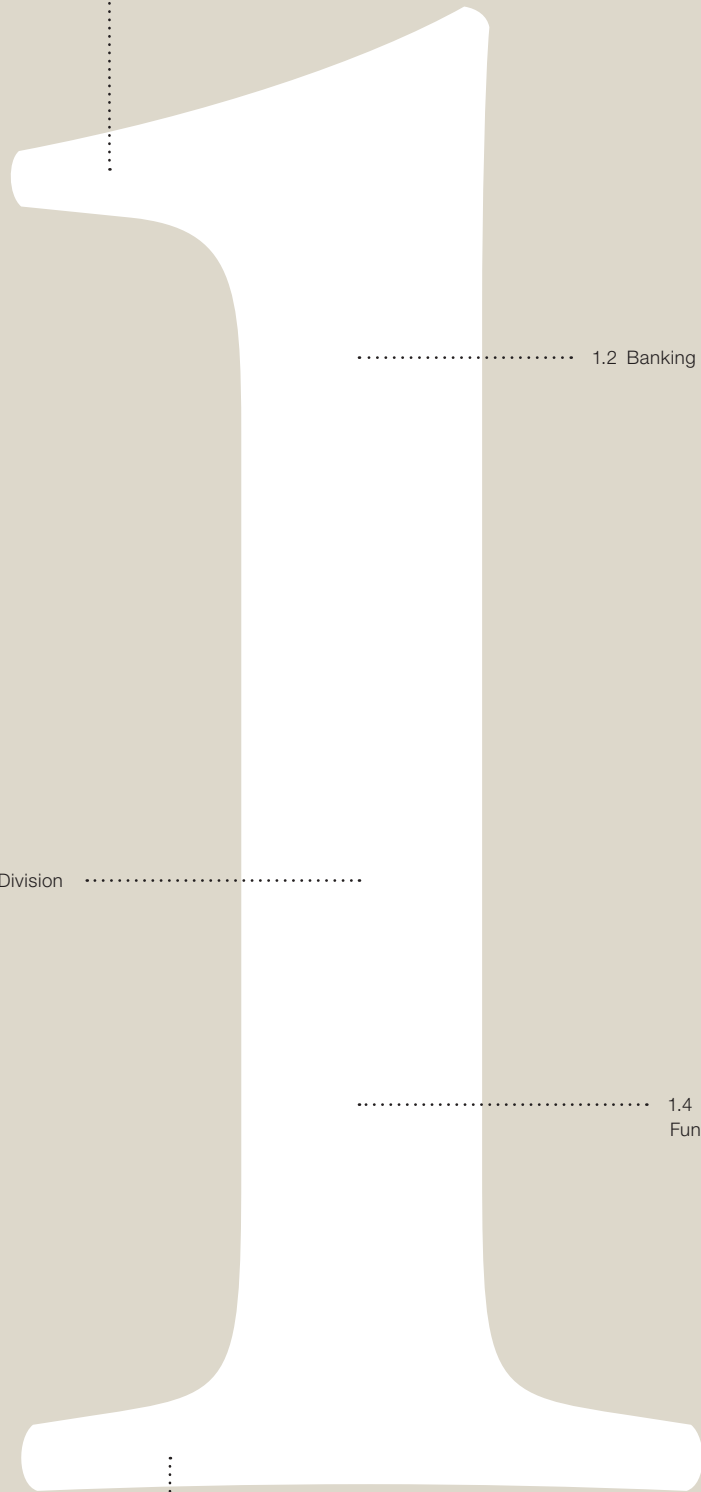
1.1 Macroprudential Supervision

1.2 Banking Division

1.3 Securities Division

1.4 Insurance and Pension  
Funds Division

1.5 Other Financial Intermediaries Division



## 1.1 Macroprudential Supervision

Macroprudential Supervision is a new form of supervision that identifies systemic risks at an early stage and introduces measures to reduce them. It supplements traditional Microprudential Supervision. While Microprudential Supervision focuses on individual financial intermediaries and assumes that the financial system is stable if each individual financial intermediary is solvent, Macroprudential Supervision is guided by the stability of the entire financial system.

### Ongoing supervision

---

Macroprudential Supervision relies on reports submitted through regular reporting by financial intermediaries, information received through cooperation with national and international organizations, and publicly available data and information on the development of the economy and the financial markets.

During the reporting period, three reports were prepared on the development of the Liechtenstein financial centre. These contain a basic description of current developments, a more detailed description of the most important risks, and a summary assessment of the short- and medium-term outlooks.

Additionally, the FMA prepared four reports on the macroeconomic development and on the development of the financial markets. These contain a description of the national economic trends, an assessment of the significant macroeconomic risks, and a summary evaluation of the short- and medium-term outlooks.

Finally, the FMA prepared four reports on the national economic development and published them in the form of a “National Economic Monitor”. These reports comment on national economic trends in the Eurozone, Switzerland, and Liechtenstein.

During the reporting year, Macroeconomic Supervision issued two internal warnings concerning systemic risks. One warning concerned risks that may arise from the continuingly low interest rate level, relating especially to insurers and pension schemes. The second warning addressed risks that are becoming apparent in the Liechtenstein real estate and mortgage market.

### Priority areas

---

One focus of macroprudential supervision was the preparation of the second real estate and mortgage market report, which was presented to the public at a conference in October in Vaduz.

The FMA concluded that the risks emanating from the real estate and mortgage market for the financial industry and the overall economy have increased. In the report, the FMA addresses the rising vacancies for residential and commercial real estate, which indicate a surplus of real property in Liechtenstein. The report shows that the mortgage loan volume in Liechtenstein has grown disproportionately in comparison to economic output, and it points out the dangers that might arise from a strong increase in market interest rates on the Liechtenstein real estate and mortgage market.

On 15 January 2015, the Swiss National Bank abolished its minimum exchange rate of CHF 1.20 per euro and cut the interest rate for balances on current accounts that exceed a certain exempt amount to

–0.75%. Macroprudential Supervision analysed the impact of the SNB decision on the financial centre and coordinated and accompanied the measures taken by the FMA divisions.

## 1.2 Banking Division

### 1.2.1 Licenses

Numerous enquiries for establishing a bank, investment firm, or payment or e-money institution were addressed to the FMA during the reporting year. The FMA was increasingly contacted by companies with business models in the field of the new financial technologies such as virtual currencies or the blockchain technology.

The FMA supported the potential applicants by explaining the relevant legislative requirements in detail and by drawing attention to points that experience has shown to cause problems during the licensing process in the past. With a decree dated 27 February 2015, a licence was granted to a company as an e-money institution.

Until it has been concluded, the voluntary liquidation of Alpe Adria Privatbank AG i.L, Vaduz, decided in 2009, will continue to be accompanied by the FMA.

### 1.2.2 Ongoing supervision

#### Auditing

A total of 31 deficiencies were indicated in the audit reports for the 2014 fiscal year, overwhelmingly in the areas of risk distribution requirements, reporting, and the internal control system. The FMA carried out its own on-site inspections directly, in order to complete the overall picture for the purposes of supervisory law in selected areas.

#### Supervision of external auditors

As part of its supervision of external auditors under the Banking Act, the FMA accompanied the audit activities of selected external auditors and thereby carried out quality controls. At the end of 2015, the FMA's revised Audit Guideline 2015/3 entered into force. It must be applied for the first time to audits and reports on financial intermediaries whose fiscal year ends after 31 December 2015. In its previous version, the Audit Guideline remains applicable to audits and reports on financial intermediaries whose fiscal year ends after 31 December 2014 and at the latest on 31 December 2015. The Audit Guideline serves to ensure the high quality and uniform execution of audits.

#### Auditor workshops

The annual bank auditor workshop took place in May 2015. Topics included the Supervisory Review and Evaluation Process (SREP) under article 35a of the Banking Act, changes to the Audit Guidelines, the FMA communication on licences for external auditors pursuant to specialized legislation as well as their reporting requirements (SRM), as well as the recovery plans to be prepared by banks.



### Management meetings

In the management meetings with members of the general managements and boards of directors of the banks, investment firms, and e-money institutions, the topics of institution-specific business development and risks, strategic orientation, interest rate environment, strong Swiss franc, ongoing and planned projects, current regulatory developments, and market trends were discussed. It was seen that European regulation continues to entail great challenges for the institutions.

### Strong Swiss franc

After the abolition of the minimum exchange rate of CHF 1.20 per euro by the SNB on 15 January 2015, the FMA called upon the banks to submit an appraisal of the impact. The evaluation of the responses and the analysis of the data from ongoing supervision showed that no significant impact on the balance sheet and own funds should be expected. However, all banks

assumed that lower income should be expected. Over the course of the year, it turned out that the negative expectations did not come to pass to the feared extent, also because the Swiss franc depreciated again somewhat against the euro.

### Inspections under the Due Diligence Act

The number of deficiencies in the due diligence inspections rose from 33 in the previous year to 46. The most frequent deficiencies involved updating of the business profile and insufficient plausibility checks of the information in the business profile and clarifications of transactions. The FMA accompanied several regular inspections and carried out extraordinary inspections at two banks. As part of its supervisory programme, the FMA Austria also visited Liechtenstein in 2015. Accompanied by the FMA, it conducted both an inspection of the system as well as a company visit at the Liechtenstein subsidiaries of Austrian banks.

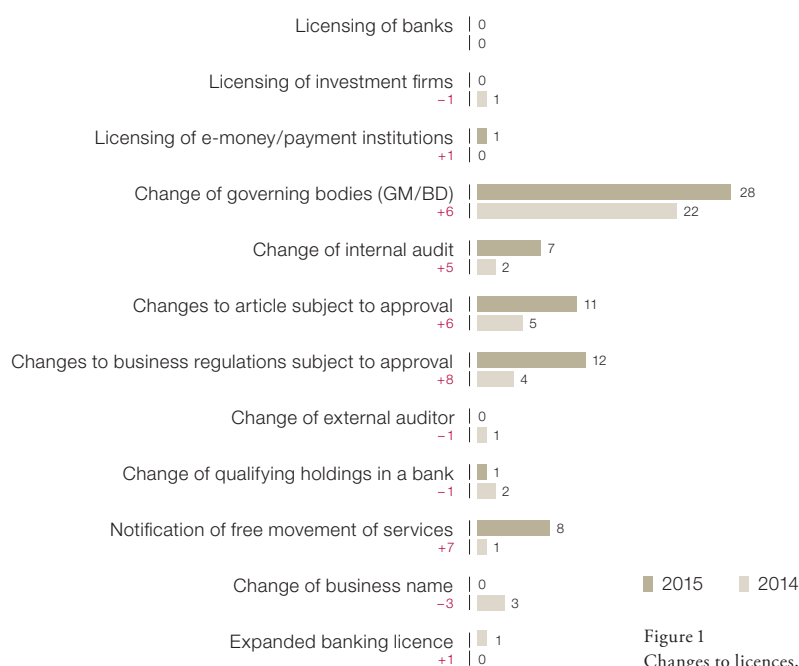


Figure 1  
Changes to licences, Banking Division

# Aspects of supervisory work



## *On-site inspections*

*On-site inspections are an important and effective supervisory instrument for the FMA.*

They serve to verify compliance with the requirements of supervisory law, make it possible for the FMA to gain in-depth insight into a supervised company, and promote dialogue with the financial intermediary.

*They are carried out either by the FMA itself or by the external auditors engaged by the FMA. During the reporting year, the FMA carried out 37\* on-site inspections itself. On-site inspections may be announced or unannounced.*

\*Excluding on-site inspections in anti-money-laundering.

# 25

## *criminal complaints*

*In 2015, the FMA filed 25 criminal complaints with the Office of the Public Prosecutor.*

If the FMA gains knowledge of a suspicion of an offence subject to ex officio prosecution that concerns its legal scope of responsibility, the FMA is required to file a criminal complaint. A criminal complaint may be triggered by cases of suspicion involving breaches of the laws to combat money laundering, insider trading, market abuse, market manipulation, or activities as a financial service provider without the required licence. 11 criminal complaints concerned misdemeanours committed by employers against the Occupational Pensions Act, especially breaches of the notification requirement and no or delayed transfer of the employer and employee contributions to the pension scheme.

## *International administrative assistance*

*During the reporting year, the FMA received requests from foreign authorities for administrative assistance in 39 cases; the FMA was able to respond to 37 requests for administrative assistance.*

# 39

Through administrative assistance, the FMA makes a contribution to investigating and solving international cases of market abuse and thus to client protection. Reasons for requests for administrative assistance included investigations on suspicion of market manipulation, insider trading, activities without a licence, or breaches of disclosure requirements. The provision of administrative assistance is of great importance in the context of the reputation of the financial centre and market access.

## Combating money laundering – Facts & figures

*Liechtenstein attaches the utmost importance to combating money laundering and terrorist financing and has effective, internationally recognized defensive measures at its disposal. The FMA is integrated into these measures. The FMA verifies compliance with due diligence obligations by financial intermediaries and prosecutes abuses.*

---

**230** of these inspections were carried out by auditors and external audit companies engaged by the FMA, **53** of which were accompanied by the FMA. **2** inspections were carried out by the FMA itself.

In 2015, **232** regular on-site inspections were carried out concerning compliance with the obligations to combat money laundering, organized crime, and terrorist financing.

In the inspection reports, **512** deficiencies and **21** violations were identified. This resulted in **46** measures under supervisory law.

In 2015, **8** extraordinary on-site inspections were carried out. Of those, the FMA conducted **7** audits itself and in **1** case engaged an external auditor.

The FMA attaches great importance to the continuous further training of employees in anti-money-laundering. In addition to regular internal training sessions, FMA employees have lectured at numerous events on the prevention of money laundering.

### *Further strengthening of anti-money-laundering measures*

On 25 June 2015, the 4th EU Money Laundering Directive and the revised Transfer of Funds Regulation entered into force. As a member of the EEA, Liechtenstein is implementing these into national law. Individual elements of the new directive have already been implemented. The main impetus for the new EU Money Laundering Directive is the revised recommendations of the Financial Action Task Force (FATF) of 2012. With the new directive and the new regulation, measures to combat money laundering and terrorist financing continue to be strengthened.

## Reporting

---

The risk assessment process is based substantially on information provided by the banks and investment firms on the basis of regular reporting. As of the end of 2015, all institutions met the requirements that entered into force on 1 February 2015 according to the CRD IV and CRR provisions (Basel III). The reporting discipline of the institutions was good, even though additional and more extensive reporting obligations applied for the first time in the reporting year.

Since 2013, the FMA has gathered information on the development of real estate markets in Liechtenstein and the neighbouring countries. By evaluating the data, the FMA aims to ensure that any overheating in the individual geographical markets can be recognized and to improve the assessment of the risk situation of the banking centre and the individual institutions.

As part of their regular reporting to the FMA, the institutions also report the level of assets under management (AuM) as well as the net inflow and outflow of new money, broken down by country of origin of the contracting party and of the beneficial owner. This allows better estimation of the development of any risks the banks might be exposed to from their cross-border business. In the reporting year, the FMA published a communication on cross-border risks, in which it set out its expectations regarding the internal risk management of the supervised institutions.

### Outlook on the development of reporting

At the beginning of January 2016, several EU regulations on reporting entered into force. On an ongoing basis, the EBA issues standards, guidelines, and recommendations accompanying the two main legal

acts, the CRD IV and the CRR. More extensive changes to reporting are envisaged for the 30 June 2016 and 1 January 2017 reporting dates.

In the future, the financial intermediaries will submit their supervisory reports using the Internet-based e-Service platform. Currently, individual selected data is forwarded to the European Supervisory Authorities (ESAs). It can be assumed that the volume of the reporting obligations vis-à-vis the ESAs will increase in the coming years.

## Supervisory practice

---

During the reporting year, the targets of investigations conducted by the FMA included insufficient capital resources, market abuse, violations of the rules on major loans, inadequate risk management, reporting violations, or violations of the Due Diligence Act. One supervisory case in banking supervision was especially large and complex, tying up massive personnel resources over an extended period of time. This supervisory case had not yet been concluded by the end of 2015.

### 1.2.3 Combating abuse

During the reporting year, the FMA conducted clarifications in 27 cases on the basis of leads provided by domestic and foreign authorities, affected market participants or clients, and its own observations. These clarifications concerned suspicion of activities without a licence under the Banking Act, the E-Money Act, and the Payment Services Act (PSA) as well as suspicion of market abuse under the Market Abuse Act (MAA).



*Scratch gauge  
made of maple wood with two marking sticks affixed with a wooden  
holder. The marking tips are made with a continuous metal pin.  
(2nd half of the 19th century)*

The measures taken were within the framework provided by supervisory law. In two cases, a report to the Financial Intelligence Unit (FIU) on suspicion of money laundering or a predicate crime of money laundering was necessary. The FMA had information about a criminal offence committed abroad that was connected with a financial product offered by a Liechtenstein financial intermediary.

In nine cases, a criminal complaint was filed with the Office of the Public Prosecutor. These cases primarily concerned market abuse, usually triggered by a report by a financial market participant. These reports were based on the suspicion that insider trading or market manipulation had been committed in Liechtenstein, or at least that there was a connection with insider trading or market manipulation. Since information about market occurrences is usually available at the exchanges operated abroad, the FMA in such cases works closely together with the competent foreign authorities. In some cases, the FMA also requested administrative assistance from the foreign supervisory authorities in order to obtain information relevant to the case.

In one case, the FMA published a warning on its website for the purpose of client protection, drawing attention to a case of abuse and recommending against making investments via the indicated website. The company in question was using the name and identity of a Liechtenstein company in an unlawful way. In fact, the operators did not have an FMA licence and also no company domicile in Liechtenstein.

#### 1.2.4 Operational focus areas

##### Basel III

On 1 February 2015, the amendments to the Banking Act and the Banking Ordinance for implementation of the CRD IV package entered into force. In addition to the Basel III requirements – for instance stricter capital requirements as well as the introduction of capital buffers and a leverage ratio – tighter corporate governance rules and a harmonized sanctions regime were also introduced.

##### Consolidated supervision

The FMA took part in a supervisory college chaired by the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). This was done in the framework of consolidated supervision of a Luxembourg banking group that has a subsidiary in Liechtenstein.

As part of consolidated supervision, the FMA conducted one on-site inspection in the reporting year at the foreign business unit of a Liechtenstein bank. The objects of the audit included compliance with corporate governance as well as the internal and supervisory reporting system.

2012	18
2013	28
2014	22
2015	27

Figure 2  
Number of cases of abuse

### 1.2.5 Outlook

The international requirements in banking supervision have increased considerably in recent years, especially in regulatory terms. These consequences of the 2008 financial crisis can be seen in numerous new regulations in banking law. The regulations have a strong impact on the market behaviour of banks. The goal is to reflect the developments using adequate supervisory processes – a goal with obstacles but also opportunities for the transformation of the financial centre.

On 1 February 2015, the CRD IV package entered into force through Liechtenstein's banking legislation. This means that Liechtenstein now mirrors the major European harmonization efforts in an equivalent way, so that the same regulations are in force in Liechtenstein as in the European Union. For a comparatively small supervisory authority and for the financial intermediaries, the challenges in the field of regulation as well as in the implementation of the associated supervisory processes are great. Thanks to cooperative arrangements and a shared risk-based understanding of supervision in harmony with the international requirements, however, solutions can be found in this regard.

International cooperation with foreign supervisory authorities continues to be promoted. In this regard, participation as an observer at the European Banking Authority (EBA) is a key component for the international recognition and equivalence of the financial centre.

### 1.2.6 International administrative assistance

The FMA grants international administrative assistance to foreign authorities in respect of prudential supervision and securities supervision. The rendering of administrative assistance is based on the special legislation as well as the Financial Market Authority Act (FMA Act).

In 2015, administrative assistance was requested from the FMA in 39 cases. Compared with the previous years, this represents a slight decline in requests received, but it is still a high level from an international perspective.

In all the requested cases, the Administrative Court approved execution of administrative assistance. The main reasons for the high approval ratio are the high quality demanded of incoming requests by the FMA, the good cooperation with the requesting authorities, and the competence of the approval body. The formal administrative assistance procedure under Liechtenstein law is unique in the field of international securities supervision, but it has met with the necessary recognition overall, not least of all thanks to the enhanced cooperation of the FMA with important authorities and international institutions.

The number of information exchanges remained at a consistently high level. In the reporting year, a total of 37 requests for administrative assistance were answered or concluded (including requests from the previous year). It should be taken into account in this regard that 10 requests from the reporting year are still pending, because they mainly were received only at the end of the year. The FMA meets the time limit deemed appropriate by the International Organization

of Securities Commissions (IOSCO): As a rule, the foreign authority receives the requested information within eight weeks.

In one case, an information holder refused to hand over the records demanded by the FMA. The execution decree subsequently issued by the FMA was appealed to the Constitutional Court by way of an individual complaint, alleging violation of privacy and secrecy, the right to an ordinary judge, the obligation to state reasons, and the prohibition of arbitrary action. In its judgment StGH 2015/64, the Constitutional Court agreed with the response of the FMA and found that the constitutionally guaranteed rights of the complainant had not been violated by the appealed execution decree. The Constitutional Court once again emphasized the substantial public interest in close cooperation by Liechtenstein with other States in the field of administrative assistance, which must be taken into account appropriately when reviewing the proportionality of interference with fundamental rights.

A judgment of the Constitutional Court in 2014 (StGH 2013/050) found parts of the administrative assistance rules in the FMA Act to be unconstitutional and voided them. The legal effect of the judgment voiding the rules was deferred, however. For that reason, the FMA continued to render international administrative assistance until 10 December 2015 on the basis of the existing law. The new legal provisions in the FMA Act adopted in response to the judgment of the Constitutional Court entered into force in a timely manner on 11 December 2015. Already previously, the new, more demanding procedures were prepared and the IOSCO was notified, in order to ensure uninterrupted provision of administrative assistance also on the basis of the new legislative provisions.



Figure 3  
Number of requests for administrative assistance received



Figure 4  
Reasons for requests

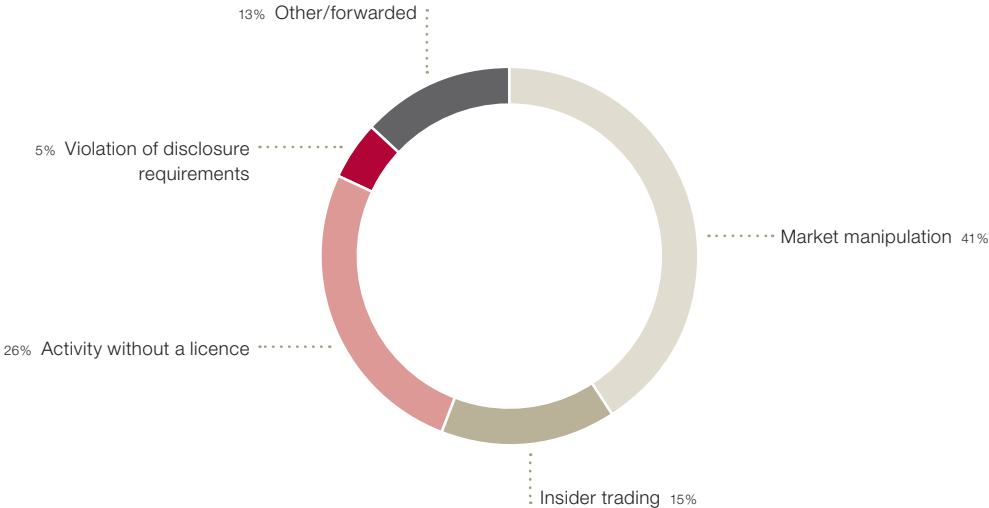
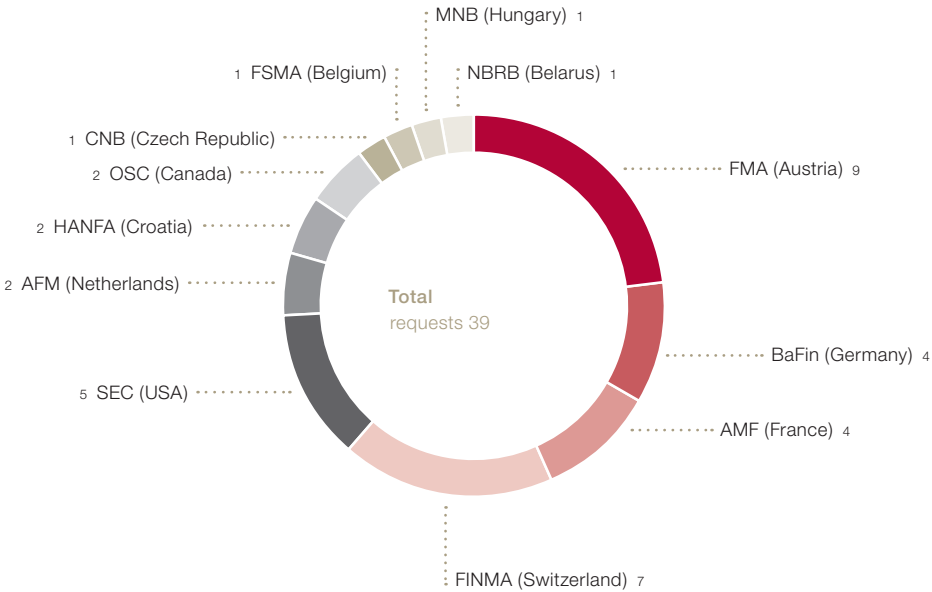


Figure 5  
Requests for administrative assistance, by authority



## Liechtenstein real estate and mortgage market

Real estate and mortgage markets involve potential risks to financial stability.

In an environment of low interest rates, high real estate prices, and high mortgage loans, the FMA has strengthened its risk control of banks' mortgage market business.

The data corpus for mortgage loans has been expanded, and the legal provisions governing the mortgage market have been harmonized with the Swiss provisions in regard to sustainability and amortization.

On 1 February 2015, the tighter capital requirements for banks under Basel III also entered into force.

In October 2015, the FMA published its report on the Liechtenstein real estate and mortgage market.

[<https://www.fma-li.li/files/fma/fma-bericht-immobilien-hypothekar-markt-2015.pdf>]

# 827

*At the end of 2014, 827 housing units or 4.8% of all housing units in Liechtenstein were vacant.*

# 10,700,000,000

*At the end of 2014, the mortgage volume of the Liechtenstein banks in the franc currency area amounted to CHF 10.7 billion.*

# 256,000

*Mortgage debt per capita in Liechtenstein was CHF 256,000 in 2014.*

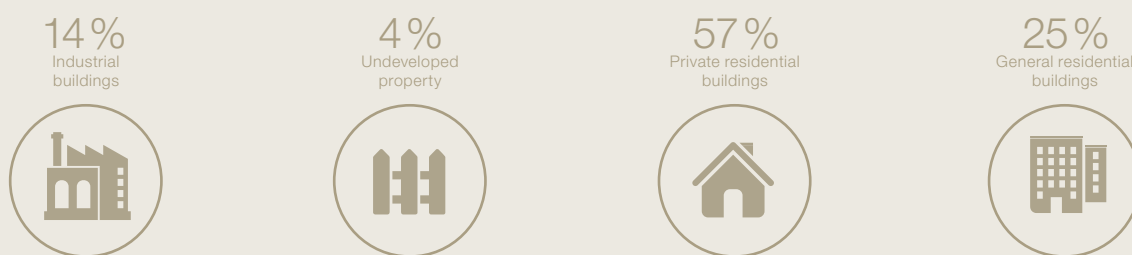
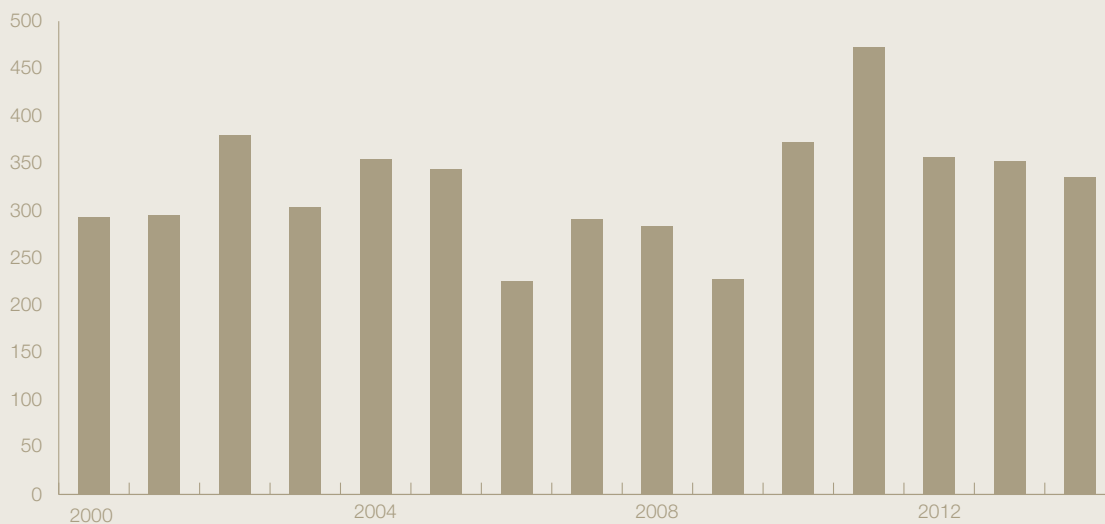


Figure  
Mortgage investments according to building category (as of 31.12.2014)  
Source: Office of Statistics



Grafik  
Number of new housing units in Liechtenstein (2000–2014)  
Source: Office of Statistics

### 1.3 Securities Division

#### 1.3.1 Investment undertakings

##### Licences and certifications

###### Authorization of domestic investment funds

In 2015, the FMA issued authorizations for 12 undertakings for collective investment in transferable securities (UCITS) (previous year: 12). Additionally, 4 alternative investment funds (AIFs) were licensed, 2 AIFs were authorized, and the management of 1 AIF was taken note of. 21 investment undertakings for qualified investors (IUQA) were certified. In the reporting year, 4 companies also received authorization as alternative investment fund managers (AIFMs) under the Alternative Investment Fund Managers Act (AIFM Act). In Liechtenstein, 15 management companies under the Investment Undertakings Act (IUA) and 13 management companies under the UCITS Act operated in Liechtenstein, as well as 12 AIFMs. It should be taken into account in this regard that a company may hold several authorizations.

Taking account of liquidations and deletions, the number of Liechtenstein investment funds fell by 22 to 510 as of the end of 2015. Some of the 510 domestic investment funds have subfunds, so a total of 714 individual funds were authorized in Liechtenstein as of the end of the year. These were managed by 15 management companies/AIFMs and 1 self-managing investment company for a total of 16 companies.

317 changes to prospectuses were approved. Compared with the previous year, in which there were 296 changes, this represents a slight increase. The volume of changes to prospectuses continues to be high.

###### Authorization of foreign investment funds

The number of foreign investment funds authorized for marketing in Liechtenstein increased, taking account of mergers, non-launches, and liquidations. At the end of 2015, 160 (previous year: 147) foreign investment funds with a total of 1,006 individual funds were authorized for marketing. They encompassed 118 UCITS-compatible investment funds and 42 non-UCITS funds from the EEA or third countries. Meanwhile, 13 foreign management companies have notified their free movement of services in Liechtenstein.

###### Authorization of persons entitled to market units

Under the Law on Investment Undertakings for Other Values or Real Estate (IUA), 11 legal persons and 1 natural person were entitled to market units on the basis of an explicit authorization. Under the Law on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act) and the AIFM Act, no separate entitlement of legal and natural persons is possible anymore.

##### Ongoing supervision

###### Auditing

At the product level, all audit reports under the UCITS Act, the AIFM Act, and the IUA have been evaluated. The declining trend in noted deficiencies continued. The reports contained 112 deficiencies, which means a decline of 33% compared with the previous year. Especially in the case of smaller investment undertakings with higher demands on risk control, consolidation took place. This can be seen as one of the reasons for the decline in “Deficiencies in maintaining minimum net assets” and “Deficiencies in regard to risk control”. Another reason is the elimination of deficits in risk and controlling by the management companies.

Figure 6  
Number of management companies and investment undertakings under the IUA

Category	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Active management companies (MCs)	22	19	17	17	15
of which fund managements	21	18	16	16	14
of which investment companies	1	1	1	1	1
Domestic investment funds	535	368	346	322	290
of which IUs for securities	177	6	3	2	1
of which IUs for other values	177	171	140	119	106
of which IUs for qualified investors	181	191	203	201	183
Foreign investment funds	198	177	156	147	160
Audit companies	11	10	11	11	9

Figure 7  
Number of management companies and investment funds (UCITS) under the UCITS Act

Category	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Active MCs	14	15	15	13
of which fund managements	14	15	15	13
of which investment companies	0	0	0	0
UCITS	189	206	208	208

Figure 8  
Number of authorization holders and alternative investment funds (AIFs) under the AIFM Act

Category	31.12.2013	31.12.2014	31.12.2015
Large AIFMs	5	8	12
Small AIFMs	0	0	0
Administrators	0	0	0
Risk managers	0	1	1
Marketing contractors	0	0	0
AIFs	0	2	12

Figure 9  
Total number of companies\*

Category	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Active companies with authorizations	20	20	19	17

\*A company may have several authorizations.

43 deficiencies concerned active violations of investment guidelines (previous year: 53), i.e., the asset manager's transaction exceeded an investment restriction set out by law or the fund prospectus. Passive violations may arise through market fluctuations, unit trading, rating changes, and prospectus changes and are not triggered directly by purchases or sales. Because both types of violation were remedied within a reasonable time period, the FMA did not initiate any supervisory measures. Investors were indemnified in the case of all violations. In 28 cases, errors in accounting or NAV calculation were found.

At the management company level, 17 audit reports were evaluated. The reports found 12 deficiencies. The FMA examined every deficiency in detail and took appropriate measures. Depending on the classification of the violations, the management company was asked to restore a lawful state of affairs, or an on-site inspection or management meeting was carried out with the responsible bodies of the management companies. If serious or repeated violations were found, the FMA implemented a combination of the aforementioned measures.

The FMA compiles all deficiencies and monitors their development in the subsequent business reports. By combining supervisory and preventive measures, it also aims to prevent supervision cases and reduce deficiencies in the audit reports. The main focus was on compliance with the valuation rules and the prevention of high costs (total expense ratio, TER) for investors.

### **Reporting**

In addition to the audit reports, management companies must submit to the FMA and publish annual and semi-annual reports on the investment undertakings (funds), UCITS, and AIFs they manage. All reports were examined critically by the FMA, and

appropriate supervisory measures were undertaken where needed. Moreover, various types of data were compiled for statistical purposes. In total, more than 900 annual and semi-annual reports were evaluated in the reporting year.

### **Supervisory practice**

UCITS authorized and managed under the UCITS Act may make investments only in legally permitted investment instruments. Ongoing supervision showed that some UCITS employed impermissible investment instruments. The management companies in question were called upon to rectify the situation.

In 2015, one unannounced on-site inspection was carried out at an AIFM. Three accompanied fund audits, three management meetings, and one on-site inspection were carried out at the management companies.

### **Supervision cases**

The FMA initiated two supervisory proceedings against investment undertakings. As of 31 December 2015, these two cases were still pending. Three semi-annual reports of funds in liquidation had to be demanded by way of an administrative order with a penalty.

### **Strong Swiss franc**

After the abolition of the minimum exchange rate of CHF 1.20 per euro by the Swiss National Bank on 15 January 2015, the FMA requested an appraisal from selected management companies regarding the possible impact on earning power, capital resources at the company level, and effects on minimum net assets as well as probable performance losses at the level of the investment funds under management. The evaluation of the responses indicated that a failure to maintain capital requirements at the company level should not be expected, but that performance might drop by approx. 15–20%.

At the fund level, four investment funds denominated in euros fell below the minimum net assets as a consequence of the abolition of the minimum CHF/EUR exchange rate. The management companies of the investment funds concerned were contacted immediately, and a deadline for restoring a lawful state of affairs was imposed.

As an additional measure after the abolition of the CHF/EUR minimum exchange rate, the FMA engaged auditors to assess that event in the audit report after the balance sheet date.

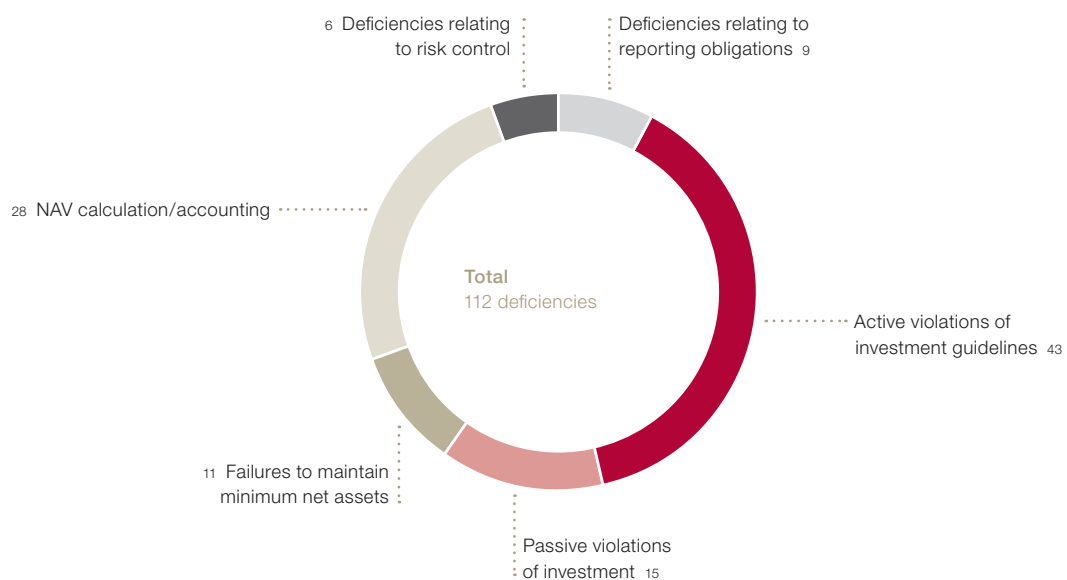
### Combating abuse

In one case, the FMA initiated investigations to analyse a fund-like construct. For that purpose, it also contacted foreign supervisory authorities. The case has not yet been concluded.

### Operational focus areas

When examining the reports at the fund level, the FMA focused especially on compliance with the investment guidelines and the cost factor. Some management companies were informed that the costs (total expense ratio, TER) did not correspond to the usual market rates in the Liechtenstein fund centre. The management companies were called upon to revise the cost structure of their investment undertakings accordingly.

Figure 10  
Deficiencies – Products



In-depth clarifications were undertaken in the case of valuation uncertainties, especially of investment undertakings that had been licensed or certified by the FMA under the IUA. Here again, the FMA was in close contact with the management companies in question and demanded additional documents to illuminate the valuation methods used and, where necessary, to correct them.

A positive conclusion was reached regarding compliance with the deadlines for submitting the various reports, with few exceptions. This was due to consistent imposition of penalties for breaches of the law in the past reporting periods.

### Outlook

---

Consolidation pressure continues to exist at the fund and company levels. This is firstly due to the greater regulatory requirements, and secondly, especially small financial intermediaries are experiencing high cost pressure.

In reporting, the focus is on expanding electronic reporting via the e-Service portal of the FMA. During a test phase, some financial intermediaries submitted various reporting templates to the FMA using e-Service. In the second half of 2016, periodical reporting and selected incident-related reports will be submittable to the FMA via the portal.

### 1.3.2 Asset management companies

#### Licences

---

In 2015, the FMA issued 7 licences to asset management companies (AMCs), down from 8 in the previous year. 12 licences expired during the reporting period. No applications were withdrawn during the application procedure, but 1 application had to be rejected due to a failure to comply with organizational requirements. This means that at the end of 2015, 117 AMCs held licences in Liechtenstein. The growth trend among authorized AMCs did not continue. One company was registered as a tied agent in the FMA register.

In total, the AMCs applied for or notified 102 changes to existing licences. About half of the applications concerned changes to governing bodies, and about a quarter concerned changes to qualifying holdings. 66 applications for notification of free movement of services were submitted at the FMA, and the corresponding notification procedures were carried out.

During the licensing procedure, special importance was attached to the requirement of capital, the requirements on the head office, personal qualifications, and organization.

#### Ongoing supervision

---

#### Regular audits pursuant to the AMA

The asset management companies were audited by the external auditors and the FMA. 118 audit reports and 118 inspection reports under the Due Diligence Act (DDA) were evaluated. The external auditors noted a total of 30 deficiencies at 15 companies.



Based on these deficiencies, the FMA took the necessary measures under supervisory law to eliminate the legal breaches.

Most of the deficiencies concerned organizational requirements. These included late notification of changes subject to approval, the lack of a sustainable business plan, insufficient capital or inappropriate premises, a lack of personnel resources, a lack of necessary functions, or deficits concerning internal instructions and regulations. The FMA attached special importance to implementation of FMA Communication 2013/8, which further specifies the requirements governing the registered office, organization, and personnel. The implementation period for these provisions ends on 1 January 2016.

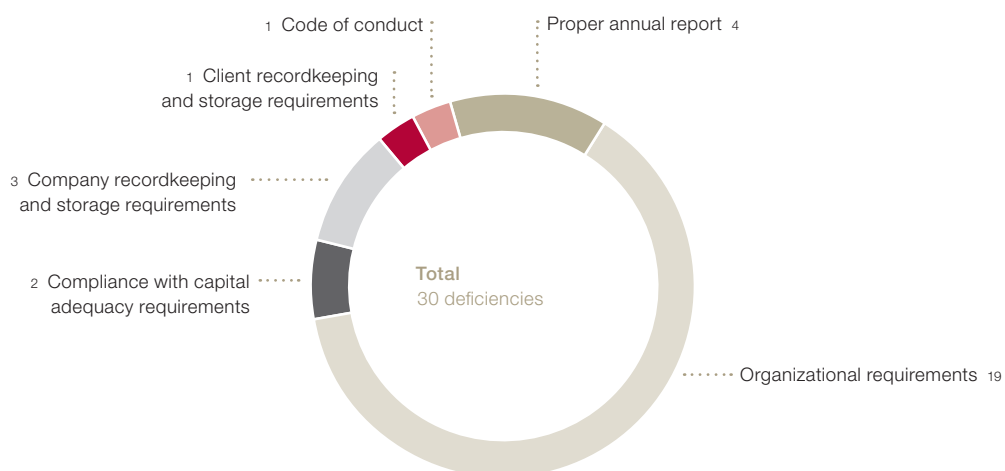
For the 2014 audit year, the FMA ordered an extraordinary audit by the external auditors. The focus was on compliance with the suitability requirements relating

to investment recommendations, financial instruments, and services under the Markets in Financial Instruments Directive (MiFID). Suitability means that as part of their investment advice, AMCs must recommend only suitable financial instruments to their clients. They must take account of the individual situation of the client, the client's risk capacity, and the client's experience in dealing with financial instruments. In most cases, the auditors' suitability assessment was positive in terms of appropriateness and correctness. The in-depth audit gave the FMA good insight into the processes relating to suitability. In individual cases, the FMA asked the AMCs to update their client profiles.

### Reporting

In 2015, the semi-annual reports were submitted for the first time using the new, more comprehensive reporting form. The evaluation of the semi-annual reports resulted in several enquiries to the AMCs to

Figure 11  
Deficiencies at asset management companies



clarify discrepancies or changes relating to organization. In the case of one AMC, the report led to initiation of supervisory proceedings due to impermissible delegation of a main activity. In general, the reporting discipline of the AMCs is satisfactory. Only in sporadic cases were the notification and approval obligations violated.

### **Supervision cases**

Withdrawal proceedings were carried out due to failure to comply with capital requirements as well as organizational deficits. In other cases, the FMA conducted investigations against persons and companies in criminal proceedings initiated by the Office of the Public Prosecutor in regard to breaches of supervisory law.

Six companies returned their licence. One of the companies now acts as a tied agent. The return of licences by AMCs is also partially due to the still pending incorporation of the ESA regulation into the EEA Agreement. Companies that came to Liechtenstein in 2013 with the intent to obtain an AIFM licence began to withdraw from the country again due to the associated uncertainty.

### **Combating abuse**

---

The FMA dealt with cases in which attempts were made to deliberately deceive investors. This was done primarily by purporting to engage in asset management activities licensed by the FMA or by using company names that were almost identical to real company names, i.e., the use of “cloned” companies. In this connection, the FMA published two warnings and was in regular contact with other supervisory authorities. By combating abuse, the FMA protects potential investors and the licensed asset management companies.

The FMA systematically reviewed the marketing approach of the AMCs and the information provided on organization and business activity. Leads regarding unlawfully provided services were also pursued. Questionable text passages by AMCs published on websites or statements by unsupervised companies suggesting that they performed licensed activities were removed through intervention of the FMA with the threat of a criminal complaint.

### **Operational focus areas**

---

#### **Organizational requirements under the AMA and the AMO**

Especially toward the end of 2015, the momentum increased in preparation for the end of the transitional period under FMA Communication 2013/8. That communication sets out the organizational requirements for AMCs. The focus is on the control functions of compliance, internal audit, and risk management. In the run-up, the FMA proactively held meetings with the small companies. Enquiries regarding the design of the legally required functions and the associated expectations of the FMA also increased during that time.

Some companies began to increase the implementation of “hoteling” solutions, in which regulated Liechtenstein asset management companies offer certain central services as well as a liability umbrella for affiliated asset managers. Using appropriate supervisory measures such as unannounced on-site inspections, the FMA is countering the associated risk that capital requirements might be circumvented.

#### **Management meetings/On-site inspections/Investment Compensation Scheme**

In 2015, 11 on-site inspections and 14 management meetings were carried out. In addition, 3 audits were accompanied on site. Alongside the organizational



***Sheep shear***

*made of cast steel, with the engraving of a unicorn on one blade.  
The shear is closed with a belt made of leather. The buckle is made of  
brass and, like a belt buckle, is manufactured with a mandrel.  
(1st half of the 20th century)*

requirements and the implementation of the MiFID II directive, the focus was also on the requirement to join the Investment Compensation Scheme (ICS). All asset management companies had joined the ICS by the deadline.

### Outlook

---

One focus will be on implementation of the obligations set out in FMA Communication 2013/8 concerning the organizational requirements for AMCs. For this purpose, both direct and indirect supervision instruments will be used.

For the first time, the audit reports under the AMA had to be prepared in accordance with the new Audit Guideline for the 2015 fiscal year. Before the beginning of the audit, risk analysis and the risk assessment strategy must be defined by the auditor and submitted together with the audit report. The Audit Guideline is intended to significantly improve the meaningfulness of the audit reports and facilitate evaluation of the reports.

### 1.3.3 Securities prospectuses

### Approvals

---

Approval activities relating to securities prospectuses under the Securities Prospectus Act (SPA) were significantly greater in 2015 than in the previous year, even though they continued to be at a low level in comparison with other European countries. 2 applications from Liechtenstein, 1 application from Luxembourg, and 3 applications from the Cayman Islands – including a supplement to a prospectus – were submitted for approval. Notifications by foreign

supervisory authorities for basic prospectuses of issuers of structured products decreased. In 2015, a total of 44 notifications were received.

Offers of foreign structured products notified by an EU/EEA country in Liechtenstein fell significantly in 2015 compared with 2014. 3 issuers submitted the final conditions for a total of 36 structured products (previous year: 111) to the FMA.

## 1.4 Insurance and Pension Funds Division

### 1.4.1 Insurance undertakings

#### Licences

In 2015, the FMA granted licences to 2 newly established non-life insurance undertakings. 1 life insurance undertaking and 2 reinsurance undertakings waived their licences. This means that at the end of 2015, 41 insurance undertakings (previous year 42) held an FMA licence: 21 life insurance undertakings, 17 non-life insurance undertakings, and 3 reinsurance undertakings. 11 undertakings were registered as captives, 8 of which as direct insurers and 3 as reinsurers. As of the end of the year, 1 preliminary application by a non-insurance undertaking for a licence was being processed. This means the trend toward the establishment of non-life insurance undertakings continued that had begun in 2015, which is a positive development in terms of market diversification.

#### Cross-border provision of services

At the end of 2015, 355 (previous year: 391) insurance undertakings from various EEA countries and Switzerland had notified the FMA of their cross-border provision of services in Liechtenstein via their home country supervisory authorities.

#### Ongoing supervision

##### Audits pursuant to the ISA

By 30 April 2015, 42 insurance undertakings were called upon to submit their documents to the FMA for reporting on the 2014 fiscal year. The external auditors issued an audit report without qualifications, notes, or supplements for 35 companies. In the case of 7 insurance undertakings, qualifications in the audit reports

resulted in additional measures. The qualifications concerned lack of liquidity, deficient risk management, unclear underwriting reserves, intragroup loans, as well as extraordinary losses for capital investments. On the basis of additionally demanded information and records as well as further clarifications, various measures for resolving the issues were examined. Finally, specific measures to restore sufficient liquidity and future planning, to improve risk management, to increase underwriting reserves, to repay intragroup loans, and to increase own funds for compensating the losses in capital investments were taken and implemented. In addition to the annual reports, the quarterly reports of the insurance undertakings were also audited.

##### On-site inspections and management meetings

In 2015, the FMA carried out 3 regular and 4 extraordinary on-site inspections. Apart from the general topics (business model, corporate strategy, and financial situation), special attention was paid in relation to the head office, complaints management, and processes.

Supplementing the on-site inspections, extraordinary management meetings were carried out in 2015. These especially concerned questions relating to group structure/group restructuring, preparation for Solvency II, transfer of business, and new general management.

##### Strong Swiss franc

After the abolition of the minimum exchange rate of CHF 1.20 per euro by the SNB, the FMA conducted an ad hoc survey of insurance undertakings concerning their assessment of the impact on the insurance industry. Most of the income of insurance undertakings is in euros, while the costs are mainly in Swiss francs. Overall, however, the insurance industry appeared to be prepared also in regard to the assets side.

# New supervisory system strengthens client protection and financial stability

On 1 January 2016, the completely revised insurance supervision law fully entered into force.

The previous static system for determining the capital adequacy of an insurance undertaking has been replaced throughout Europe by a risk-based system.

This modern supervisory system provides national supervisory authorities with appropriate qualitative and quantitative tools to appropriately assess the overall solvency of an insurance undertaking.

.....

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

.....

With the reform of insurance supervision law, the equity capital system for insurance undertakings has been adjusted to the current demands of a changed risk environment.

The new supervisory system is based on three pillars and represents a paradigm shift for the risk culture of the insurance undertakings. They are called upon to clearly identify their risks and to include them in their risk management. In addition to strengthening the protection of insured persons, the risk-based supervision approach also strengthens financial stability.

***Capital requirements***

*Capital requirements are based on the risks actually entered into by the insurance undertaking.*

***Governance***

*Qualitative requirements on the business activity of insurance undertakings as well as principles and methods of supervision.*

***Disclosure and transparency requirements***

*Disclosure and transparency requirements vis-à-vis the public and the supervisory authority.*

### Audits pursuant to the DDA

In the reporting year, the external auditors engaged under the special legislation carried out regular due diligence inspections at 21 life insurers. 1 inspection was accompanied by the FMA. In 2 cases, there was cause for a follow-up inspection by the external auditors.

The FMA requested that the audits of the insurance undertakings pay special attention to the keeping of due diligence files, the management of business profiles, and individual risk management. In regard to individual risk management, the focus was on the companies' internal classification of business relationships with complex structures. These business relationships must necessarily be classified as higher risk. In such cases, the undertakings are required to obtain additional background information and to ensure more intensive monitoring. Several deficiencies were noted in this regard during the current reporting year.

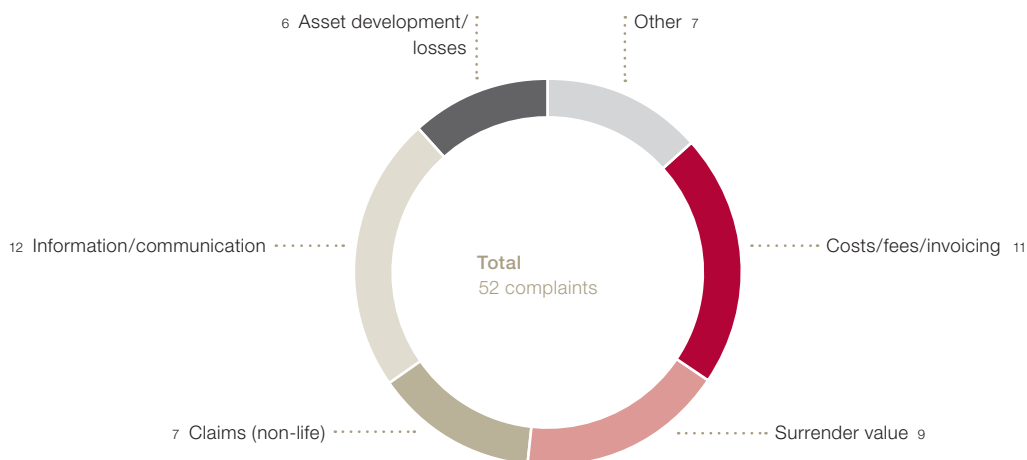
### The FMA as a complaints body

The FMA is the contact office for complaints by insurance clients against insurance undertakings and insurance intermediaries. In 2015, 52 complaints were received. Causes of complaints included the calculation and amount of the surrender value of life insurance policies, the provision of services in non-life insurance, the disclosure and invoicing of costs and fees, as well as information and communication provided by the insurance undertaking to its clients.

### Compulsory building insurance

In 2015, 13 insurance undertakings were offering compulsory building insurance in Liechtenstein. Of these insurance undertakings, 11 were domiciled in Switzerland and 2 in an EEA member state. These building insurers operating in Liechtenstein must make a contribution to fire protection and the prevention of damages arising from natural hazards as

Figure 12  
Complaints





set out in article 13 of the Building Insurance Act. The basis for calculating these contributions is the fire insurance sum of the individual undertakings.

### Operational focus areas

---

#### Solvency II

In 2015, the final EIOPA guidelines for Solvency II were published and declared applicable to Liechtenstein insurance undertakings. The FMA once again assessed the status of preparations among the insurance undertakings. The results formed the basis for individual talks with the insurance undertakings, discussions with the Liechtenstein Insurance Association, and the preparation of internal guidelines and supervisory processes within the FMA. For the first time, the insurance undertakings had to submit concrete reports as part of Solvency II, such as quarterly reporting on the third quarter and the first FLAOR (Forward Looking Assessment of Own Risks) report. Through close contact with the insurance undertakings, more progress was made in this regard. With the entry into force of the new Insurance Supervision Act on 1 January 2016, the new regime is being implemented into Liechtenstein law and the FMA's supervisory work. Challenges consist primarily in the further development of the existing supervisory instruments and their adaptation based on initial experiences in practice.

#### Outlook

---

Both for the insurance undertakings and for the FMA, Solvency II entails a comprehensive reorientation of supervision. The reporting requirements for insurance undertakings will increase substantially, and the analysis of the submitted records will cause a significant increase in work for the FMA. In this context,

it is crucial for the insurance undertakings and for the FMA that clear processes be complied with and that efficiency and effectiveness be further improved.

For this purpose, the concept of risk-based supervision will be further expanded. Areas with higher risk must be allocated more resources than areas with lower risk. Insurance undertakings with lower risk should benefit from simplifications, taking into account that the essential requirements under Solvency II must be complied with by every insurance undertaking.

#### 1.4.2 Insurance intermediaries

#### Licences

---

In 2015, the FMA granted licences to 10 insurance intermediaries. 4 licence holders suspended their activities as insurance intermediaries in 2015. This means that as of the end of the year, the FMA supervised a total of 69 licensed and registered insurance intermediaries, of which 61 were legal persons, 5 were sole proprietorships, and 3 were natural persons. Of the 69 registered insurance intermediaries, 59 worked as insurance brokers and 10 as insurance agents.

#### Ongoing supervision

---

#### Reporting

By 31 March 2015, the insurance intermediaries were requested to submit their reporting for the 2014 fiscal year, along with the key data used to calculate the supervisory tax. Administrative criminal proceedings were initiated against a total of 7 insurance intermediaries due to late submission of key data. In 1 case, the proceedings were suspended, while 5 insurance intermediaries received a warning and a fine was imposed on 1 insurance intermediary.

For the first time, a risk-based approach was chosen for the substantive audit of the reporting. The reports of intermediaries with higher risk were audited in their entirety, while only selected information was verified in the remaining reports.

The verification showed that there are substantial deficits in the implementation of the Guidelines on Complaints-Handling by Insurance Intermediaries (EIOPA BoS-13/164), which have been in effect since July 2014. Most of the audited insurance intermediaries have not or not fully implemented these guidelines. The FMA demanded that the insurance intermediaries concerned implement the required processes without delay.

#### **Audits pursuant to the DDA**

In general, the FMA engages external audit companies or auditors to conduct a regular inspection every three years of insurance brokers with licences for brokering life insurance. Their compliance with the provisions of the Due Diligence Act and the associated ordinance (DDO) is audited.

In 2015, the FMA audited 7 inspection reports. An on-site inspection was also carried out at one life insurance broker. The due diligence inspections found deficiencies in connection with the preparation of internal annual reports in accordance with article 30 DDO. Moreover, recommendations were made in regard to internal instructions.

#### **On-site inspections**

The FMA conducted regular on-site inspections at 2 insurance intermediaries. 1 on-site inspection served as a follow-up inspection to verify whether deficits identified in the previous year in regard to compliance with the obligations to inform and advise had meanwhile been remedied. The follow-up inspection indicated a significant improvement of the audited

records. The company was called upon, however, to provide more detail in the document with respect to the advice given on a particular insurance product in accordance with the complexity of the insurance product.

At the second company, the focus of the inspection was on internal organization as well as on compliance with the obligations to inform and advise and the Guidelines on Complaints-Handling by Insurance Intermediaries. The results of the on-site inspection indicated minor organizational and supervisory deficits relating to the obligations to inform and advise as well as implementation of the complaints-handling guidelines. The identified deficits were remedied immediately, and a lawful state of affairs was restored.

#### **Combating abuse**

---

In addition to its own active efforts to combat abuse, the FMA also relies on leads provided by the market and reports by domestic and foreign authorities. One company was requested to modify the purpose indicated in the Commercial Register.

The FMA received several leads from private individuals who alleged that they had lost their investments made with a company domiciled in Liechtenstein and registered in the United Kingdom. To clarify the facts, the FMA worked closely together with the competent supervisory authority of the UK (FCA). Because the operators of the website in question were neither domiciled in Liechtenstein nor had an FMA licence, the FMA and the FCA displayed a warning message to protect potential investors from abuse.

## Operational focus areas

---

In the reporting year, an unusually high number of licence applications was recorded, namely 10 (2014: 4). All requests were completed with the issuance of a licence. This development demonstrates the attractiveness of the Liechtenstein insurance centre for intermediaries.

The FMA is required to monitor compliance with the Guidelines for Complaints-Handling by Insurance Intermediaries. This was done through focus inspections and by auditing annual reporting.

## Outlook

---

At the European level, the proposal of a new Insurance Distribution Directive (IDD) was adopted after several delays. The implementation period is two years, and the work on revising the Insurance Mediation Act will start at the beginning of 2016 with the involvement of the associations concerned.

### 1.4.3 Pension schemes

## Licences

---

At the end of 2015, 23 (previous year: 24) pension schemes were under the supervision of the FMA. 8 were collective foundations, and 15 were company pension schemes.

1 collective foundation was released from supervision by the FMA. The entire liquidation procedure was supervised by the FMA. The FMA verified the conditions for liquidation and was responsible for approving the distribution plan.

## Ongoing supervision

---

### Audits pursuant to the Occupational Pensions Act

The pension schemes were required to submit their report on business activities in the 2014 fiscal year to the FMA by 30 June 2015. The records were audited in detail. In the case of 4 schemes, the audits indicated that additional clarifications were necessary.

In addition to the annual reporting, semi-annual notifications were also subject to an audit. The Liechtenstein pension schemes were in a stable financial situation at the end of 2015. Only the Liechtenstein Occupational Pensions Foundation failed to meet the required funding ratio. This pension scheme continues to be monitored closely.

The pension schemes of three major employers in Liechtenstein are domiciled in Switzerland and are thus subject to Swiss supervision. In these cases, reports are also submitted to the FMA in coordination with the Swiss authorities. The audit results are reconciled between the two supervisory authorities.

### On-site inspections and management meetings

The FMA conducted 1 on-site inspection at a pension scheme in 2015. The inspection focused especially on the organization, administration, business management, and financial situation. The FMA also inspected the administrative system and conducted sample audits of the handling of cash payouts and claims.

### Strong Swiss franc

After the abolition of the minimum exchange rate of CHF 1.20 per euro by the SNB, the FMA conducted an ad hoc survey of the pension schemes. Pension schemes hold part of their investments in euros and other foreign currencies. The pension

schemes predicted a worsening of the funding ratio by up to 7%. Due to the development on the capital market by the end of 2015, however, this did not occur to that extent.

### Vested benefits accounts

---

The FMA is responsible for processing cash payout applications pursuant to the Occupational Pensions Act (OPA), and in all cases it reviews whether any of the legal preconditions for cash payout of vested benefits are met in this regard.

The FMA received a total of 259 (previous year: 241) applications for cash payout in 2015, of which 65 applications carried over from 2014. 115 applications received a positive response (previous year: 122) and 36 received a negative response (previous year: 29). 82 applications were still pending at the end of 2015. 26 applications were processed without a final decision, most due to voluntary withdrawals by the applicants. The main reasons for positive cash payout decisions were departure from the Liechtenstein/Swiss economic area and the assumption of self-employed work by the applicant. In total, the FMA decided on vested benefits in the amount of CHF 12.43 million (previous year: CHF 10.22 million).

### Combating abuse

---

Employers with employees subject to the insurance requirement must join a pension scheme. The Old Age and Survivors' Insurance Authority (AHV) verifies this and reports employers to the FMA that have not met their association obligation. Additionally, the pension schemes are required to notify the FMA when an association contract is cancelled. If, despite employing persons subject to the insurance requirement, the employer does not join a pension scheme,

the FMA retroactively imposes the employer's association with a pension scheme. In the reporting year, the FMA imposed two such associations.

The pension schemes must report to the FMA within three months if an employer is late in paying the required contributions. After receiving such a report, the FMA demands that the employer settle the outstanding contributions under threat of penalty. In 2015, the FMA received 91 (previous year: 99) reports of outstanding contributions. Of these, the FMA reported 11 (previous year: 21) cases to the Office of the Public Prosecutor.

### Operational focus areas

---

#### Revision of occupational pensions

The Liechtenstein Government initiated the reform of the Occupational Pensions Act (OPA) in 2014 and, in cooperation with the FMA, prepared a draft law. Key elements are an increase in the level of benefits as well as stronger governance provisions. The draft law was considered by Parliament in a first reading in December. The second reading is scheduled for the first half of 2016.

#### Outlook

---

The FMA will continue to closely accompany the revision of the Occupational Pensions Act and support the Government in this regard. After the second reading in Parliament, the work on revision of the ordinance will begin. At the same time, the FMA will adjust its operational supervisory processes.

Demographic changes as well as the economic conditions such as the low interest rate environment and volatile capital markets are very challenging for pension schemes. It should be expected that further pension schemes will take measures to secure financial

equilibrium in the long term. For instance, some pension schemes might further reduce their conversion rates within the legally allowed range. Reduction of conversion rates must be submitted to the FMA for review in advance.

#### 1.4.4 Pension funds

##### Licences

As of the end of 2015, the FMA supervised 5 pension funds (previous year: 5). Of these, 4 engaged in cross-border business in the EEA and third countries. No new licences were granted in the reporting year.

##### Ongoing supervision

As part of the regular audit, the pension funds licensed in Liechtenstein were called upon to submit their report on business activities in the year 2014 by 30 April 2015 at the latest. The FMA reviewed the submitted records. Additionally, the semi-annual reporting of the pension funds was inspected.

##### Outlook

On 27 March 2014, the European Commission adopted a proposal for a recast IORP Directive (2003/41/EC). The proposal aims to improve the rules on governance and transparency for institutions for occupational retirement provision (IORPs). The dialogue procedure will be carried out in 2016. This involves trilateral meetings on legislative proposals with representatives of the European Parliament, the Council of the European Union, and the European Commission. The purpose of the meetings is to achieve consensus on a package of amendments that is acceptable to the Council and Parliament.

## 1.5 Other Financial Intermediaries Division

The focus of the regular inspections on compliance with the provisions of the Due Diligence Act (DDA) was on individual risk management. This includes the determination of specific criteria for recognizing business risks and transactions with higher risks and for monitoring them more intensively. In total, 285 financial intermediaries and 1,306 business relationships were audited. The result of the audits was slightly worse than in the previous years, with a total of 416 deficiencies. Nevertheless, the overall assessment of the implementation of due diligence obligations and compliance with those obligations is positive.

Regular talks took place between the Liechtenstein Institute of Professional Trustees and Fiduciaries, professional trustees, trust companies, and the FMA. The transformation of the fiduciary sector continues to be influenced by the international and European regulatory developments. The costs of compliance and risk management have further increased. Under these circumstances, it is remarkable that the number of professional trustees and trust companies has remained stable.

Implementation of the EU Statutory Audit Directive was prepared in close cooperation among the competent ministry, the Liechtenstein Association of Auditors (WPV), and the FMA. The new rules expand the FMA's supervision of auditors and audit companies and establish new qualitative requirements for statutory audits.

### 1.5.1 Professional trustees and trust companies

#### Admission to examinations/Licences

5 applicants registered for the admission examination under the Professional Trustees Act (PTA). 4 candidates passed the admission examination.

As of 31 December 2015, the number of persons with a licence under the PTA was 378 (2014: 380). This number includes professional trustees with a full licence (86), professional trustees with a restricted licence (28), professional trustees with a licence under the old law (1), trust companies with a full licence (238), trust companies with a restricted licence (24), and trust companies with a licence under the old law (1).

#### Ongoing supervision

The main activities relating to enforcement of the Professional Trustees Act were verification of the licensing conditions, monitoring of reporting and approval obligations, the activation of dormant licences, and prosecuting violations. The FMA identified a need for action in regard to reporting discipline. To improve reporting behaviour, the Institute of Professional Trustees and Fiduciaries – at the suggestion of the FMA – informed its members about the reporting and approval obligations as well as the legal consequences.

Personal talks took place especially due to mergers and restructurings of trust companies. IN two cases, the FMA is monitoring compliance with trustworthiness as a licensing condition pursuant to an ongoing criminal case.

In one case, the FMA denied approval of a change of a Swiss general manager domiciled in Switzerland on the basis of the Vaduz Convention. In the course of appeals, the Administrative Court applied to the Constitutional Court for judicial review. In its judgment 2014/146, the Constitutional Court found article 5, paragraph 1 (d) of the PTA to be unconstitutional, deferring legal effect for a period of one year. Consequently, the application had to be approved.

Supplementing the regular meetings with the board of directors and management of the Liechtenstein Institute of Professional Trustees and Fiduciaries, management meetings with individual trust companies took place. Topics included enforcement of the PTA and the DDA, current regulatory projects, market development, and cooperation with the FMA.

#### Combating abuse

In 2014, the FMA filed a criminal complaint against one person on suspicion of a misdemeanour under the PTA, i.e., unauthorized commercial exercise of fiduciary activities and use of the professional term “professional trustee” without a licence. The Court of Justice sentenced the accused to a monetary penalty in the reporting year.

In numerous cases, the FMA conducted preliminary enquiries on suspicion of abuse based on leads provided by third parties or its own observations. The FMA called upon several affected persons to restore a lawful state of affairs, e.g., by modifying websites and business purposes. Based on the results of its investigations, the FMA filed criminal charges with the Office of the Public Prosecutor in 3 cases on suspicion of misdemeanours under the PTA (2014: 3). The FMA had the opportunity to comment on the questioning of the accused. In one case, an FMA employee was heard as a witness. In one of the three

cases, the proceedings were suspended because the required mens rea could not be proven. The Office of the Public Prosecutor appealed the acquittal in another case.

During the reporting year, the FMA noted an increase in violations of the legal reporting and approval obligations. Warnings were issued against 7 professional trustees and 8 trust companies for first-time violations (2014: 2 cases).

Pursuant to leads provided by insurers, the FMA initiated supervisory proceedings in 5 cases due to the possible lack of sufficient liability insurance (2014: 2). After proof was provided, all proceedings were suspended. In 4 cases, the FMA decreed that a lawful state of affairs be restored, and it imposed a fine due to repeated violation of the legal reporting obligation. The withdrawal proceedings initiated due to the failure to meet the deadline were ultimately suspended after proof of liability insurance was provided.

Figure 13  
Other financial intermediaries  
supervised by the FMA

Other financial intermediaries	2012	2013	2014	2015
Professional trustees	70	65	76	86
Professional trustees with a restricted licence	21	21	29	28
Trust companies	259	254	251	238
Trust companies with a restricted licence	28	26	24	28
Auditors <sup>1)</sup>	33	35	37	37
Auditors established in Liechtenstein <sup>1)</sup>	3	4	4	4
Auditors engaged in free movement of services <sup>1)</sup>	37	43	42	40
Audit companies <sup>1)</sup>	24	26	26	28
Audit companies engaged in free movement of services <sup>1)</sup>	22	22	20	18
Patent lawyers	8	8	9	7
Patent law firms	3	3	3	3
Persons with an entitlement under art. 180a PGR <sup>2)</sup>	535	518	2	0
Persons with a licence under the 180a Act <sup>2)</sup>			230	226
Exchange offices <sup>3)</sup>	0	0	0	0
Real estate brokers <sup>3)</sup>	7	0	0	0
Dealers in goods <sup>3)</sup>	4	4	0	3
Casinos	0	0	0	0
Other persons subject to due diligence <sup>3)</sup>	29	31	31	12
Lawyers <sup>4)</sup>	15	10	10	32
<b>TOTAL</b>	<b>1098</b>	<b>1070</b>	<b>794</b>	<b>790</b>

1) Information based on the register of auditors referred to in article 6b AACA

2) Due to legislative changes, the 2014 data cannot be compared with the data of previous years, or equivalent data from previous years is not available

3) Information based especially on the notification requirement under article 3(3) DDA

4) Lawyers subject to due diligence



For the first time, the FMA withdrew the licence of a trust company due to failure to comply with the licensing conditions. The withdrawal of the licence was made public in a press release, thus informing the public that the company in question was no longer allowed to provide fiduciary services subject to a licence. A fine was imposed on one person involved in the company due to failure to comply with an order.

### Outlook

---

“Dormant” professional trustee licences will no longer exist as of 2 January 2017. The transitional period of the completely revised Professional Trustees Act ends on 1 January 2017. By that time, proof of liability insurance or other financial security as referred to in article 11 of the Professional Trustees Act must be provided. Otherwise, the licence will expire by law. The FMA will inform the persons concerned in the autumn by way of a letter.

Due to the amendment of the PTA entering into force, based on a judgment of the Constitutional Court, the processes, instructions, and other documents must be modified by 1 May 2016.

In 2016, the FMA will also prepare a proposal for amending the PTA as part of the implementation of the EU Professional Qualifications Directive. This will entail implementation work such as the adjustment of instructions and forms in preparation of enforcement.

### 1.5.2 Persons subject to the 180a Act

#### Licences

---

At the end of 2015, 226 persons held an 180a licence (previous year: 230).

#### Ongoing supervision

---

The focus was on verification of ongoing compliance with the licensing conditions and the legal reporting requirements as well as prosecution of violations.

Pursuant to ongoing supervisory and criminal proceedings, the FMA in 2 cases monitored fulfilment of trustworthiness as a licensing condition. One of these cases was concluded once the foreign supervisory authority suspended its preliminary enquiries.

In one case, the FMA issued a decree denying an application to convert an entitlement into a licence for the further exercise of activities under article 180a PGR, because the requirement of trustworthiness was not fulfilled. In the reporting year, the Administrative Court did not grant the appeal filed by the person concerned. In its judgment 2015/11, the Constitutional Court rejected the individual complaint filed claiming the unconstitutionality of article 6 of the 180a Act. The FMA rightly denied trustworthiness.

#### Combating abuse

---

Pursuant to a lead by third party, the FMA verified the legal capacity of a licensed person as a licensing condition. After an exchange of information with the Office of the Public Prosecutor, a review of court documents, and an on-site inspection of the person concerned, the FMA concluded that legal capacity still existed.





*Rebate plane*

*made of yew wood with a carved handle.  
Forged rebate iron attached with iron nail.  
(2nd half of 19th century)*

The number of violations of the reporting obligation increased in the reporting year. In 3 cases, warnings were issued due to first-time violations (2014: 1). The FMA imposed a fine on one supervised person due to repeated violation of the legal reporting obligation.

### 1.5.3 Auditors and audit companies

#### Admission to examinations/Licences

11 applicants registered for the admission examination under the Auditors and Audit Companies Act (AACCA); 6 candidates passed the examination.

As of 31 December 2015, there were 127 persons with a licence under the AACCA (previous year: 129). This number includes auditors (37), auditors engaged in the free movement of services (40), foreign auditors established in Liechtenstein (4), audit companies (26), and audit companies engaged in the free movement of services (18).

#### Ongoing supervision

##### Quality controls

The FMA's reviews focused on an inspection of quality assurance throughout the firm (firm review). For the first time, the quality control also covered audit companies engaged in the free movement of services with registered offices in Switzerland. On the basis of the home country principle and the memorandum of understanding concluded with the Federal Audit Oversight Authority (FAOA), the FMA waived the performance of a firm review as part of these inspections, if the companies were audit enterprises under State supervision of the FAOA. This means that in such cases, the FMA relied on FAOA supervision and

merely conducted a regular review of compliance with the relevant audit standards when statutory audits were performed (file review).

The 2015 quality control was the third audit round of the first audit cycle (six years) pursuant to article 12b, paragraph 3 AACCA. According to the 2015 audit plan, the quality control covered 3 audit companies domiciled in Switzerland, of which 2 are supervised by the FAOA, as well as 4 domestic audit companies. 12 lead auditors working for these companies are thus also covered. The quality controls had not yet been concluded in all cases by the end of 2015.

17 findings have resulted from the reviews so far. These primarily concern the practice-internal processes for accepting and continuing audit engagements, which – while documented in the proper way – were not concluded before the audit activity commenced. In some cases, moreover, the statutory audits were commenced before these processes were concluded, resulting in a greater independence risk. It was also found that the performance of quality assurance accompanying the audit engagements as well as the final review of the audit engagement records were not comprehensively documented.

The reviewed auditors and audit companies maintain a documentation system that goes significantly beyond the requirements of the Swiss Principles for Statutory Audits (GzA) and, in a scaled form, are based on the International Standard on Quality Control (ISQC) 1. For the purpose of sustainably raising the awareness of employees, the FMA paid special attention in its quality controls that the documentation system included the principle that achieving economic goals should not entail any quality losses

in the provision of statutory audit services (overriding requirement). The quality controls conducted by the FMA did not indicate that this principle was being breached.

### **Auditor workshops**

In the first half of the year, the FMA held two auditor workshops. In addition to supervision under due diligence law, special aspects of quality assurance were discussed. The focus was on individual risk management for due diligence inspections and the methodology of the firm review on the basis of the uniform European quality control standards developed by the European Audit Inspection Group (EAIG).

### **Semi-annual meetings with the Liechtenstein Association of Auditors**

In two semi-annual meetings, the FMA exchanged views with the Liechtenstein Association of Auditors (WPV) on technical aspects and aspects of supervisory law. Core issues were the results of the 2014 audit round, supervision of auditors under commercial law, the introduction of an AACA licensing requirement for all lead auditors subject to special legislation, harmonization of terminology in the Liechtenstein audit system, the complete revision of the AACA, the revised EU Statutory Audit Directive and the associated implementation into national law, as well as the international cooperation of the FMA with foreign audit supervisory authorities.

### **Combating abuse**

On the basis of media reports, according to which a licensed auditor engaged in the free movement of services was accused of criminal offences abroad, the FMA entered into contact with the competent foreign supervisory authority. The FMA consequently initiated proceedings to withdraw the auditors licence, which ultimately resulted in a withdrawal by decree.

This was the first time a person's licence to carry out the activities of an auditor had been withdrawn due to violation of the licensing conditions under the AACA.

Due to the withdrawal of the licence, the FMA initiated supervisory proceedings against a licensed audit company engaged in the free movement of services. With a view to naming a new general manager ("concession holder"), the FMA called upon the company to restore a lawful state of affairs. Because the audit company failed to follow this request, the FMA withdrew the company's licence to engage in the free movement of auditing services. The withdrawals of the licences were made public by way of press releases.

Numerous auditors and audit companies contacted the FMA in regard to ongoing compliance with licensing conditions. Among auditors, the most frequent questions involved the relocation of the registered office due to a change of employer or changes to liability insurance. Among audit companies, the most common questions concerned restructurings. The FMA offered support and worked to combat abuse on a preventive basis.

### **Outlook**

The focus in 2016 will be on the complete revision of the Auditors and Audit Companies Act (AACA) and the associated ordinances. Consultations are expected in the spring. Entry into force of the completely revised law with the new name "Auditors Act" is planned for 1 January 2017. The revision will substantially expand the scope of the FMA's responsibilities. The new EU Statutory Audit Directive envisages the creation of a Committee of European Auditing Oversight Bodies (CEAOB), which will work together with the supervisory authorities ESMA,

EBA, and EIOPA. To prepare for enforcement, new processes, instructions, forms, and other documents must be created and existing ones revised.

Due to the new EU rules on statutory audits, the scope of quality controls will expand considerably. The background for this is the expansion of the definition of public-interest entities, to which banks and insurers will now also belong. As part of quality controls, the FMA will carry out inspections among statutory auditors with audit engagements for banks and insurers. These are characterized by a more comprehensive review of the audit engagement records of the statutory auditors and require a greater time commitment. The scope of an inspection is set out in the new EU Statutory Audit Regulation.

#### 1.5.4 Supervision pursuant to the DDA

##### Supervision

Out of a total of 387 financial intermediaries approached, 314 carried out activities subject to due diligence. 83 due diligence inspections took place, some of which on a consolidated basis. 19 inspections were accompanied by the FMA. 5 consolidated due diligence inspections and quality controls were carried out by the FMA itself. The FMA also approached 50 dealers in goods and 12 real estate brokers.

##### Regular inspections

3 inspection reports from the regular due diligence inspection resulted in clarifications or talks with the responsible auditors. During an accompanied regular due diligence inspection, it was found that there were numerous organizational deficits as well as deficits in regard to compliance with the DDA. The financial intermediary was therefore called upon to

restore a lawful state of affairs. In another case, several systematic violations were found. Neither were simplified due diligence obligations complied with, nor were due diligence files prepared. Files were not kept in Liechtenstein, and no annual reports could be presented. The financial intermediary was called upon to take measures to remedy the damage and to restore a lawful state of affairs. In one other case, an increase of the audit frequency was maintained, because the regular inspection in 2014 had indicated a comparatively high number of deficiencies, and no improvement was apparent.

##### Clarifications/Extraordinary on-site inspections/Other measures

A clarification is undertaken first before an extraordinary on-site inspection is performed. The clarification serves to determine the fact pattern, competences, and the definition of any further steps. The Other Financial Intermediaries Division carried out 14 clarifications in 2015, four of which resulted in extraordinary on-site inspections. Two fact patterns were forwarded to the responsible supervisory divisions for processing.

An extraordinary on-site inspection under the DDA is called for if doubts arise concerning compliance with due diligence obligations or if there are circumstances that appear to endanger the reputation of the financial centre. The four inspections resulted in the initiation of two administrative criminal proceedings, the filing of a criminal complaint with the Court of Justice on suspicion of misdemeanours under the DDA, and a demand to remedy the deficiencies found.

In addition to the aforementioned measures, 2 fines were issued by decree for infractions under the DDA. 3 other decrees were issued in the reporting year resulting from a case from the year 2012.





## 2.1 Cross-divisional Regulation

### Pending regulatory projects

#### **EMIR implementing legislation**

Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories aims to mitigate the risks arising from over-the-counter (OTC) derivatives and to improve transparency of the entire derivative market. Internationally, the abbreviation EMIR (European Market Infrastructure Regulation) is used.

EMIR creates new supervisory requirements for the conclusion and settlement of derivative contracts and for the derivative market itself, especially the obligation to report the conclusion of OTC derivative contracts to trade repositories, a central clearing obligation for certain OTC derivative contracts, and the obligation to mitigate risks for OTC derivative contracts not centrally cleared. The scope of application of EMIR is not in principle limited to trade repositories, central counterparties, and “financial counterparties” (investment firms, banks, insurance und reinsurance undertakings, UCITS and their management companies, institutions for occupational retirement provision, and investment funds managed by AIFMs), but also for all other undertakings that conclude derivative contracts (“non-financial counterparties”).

The implementing legislation for Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR Implementing Act) serves to create the absolutely necessary legal bases for the actual enforcement of Regulation (EU) No 648/2012 in Liechtenstein.

The proposal was considered by Parliament for the first time in December and is intended to enter into force at the same time as incorporation of EMIR into the EEA Agreement.

#### **Market Abuse Implementing Act (MAIA)**

Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (Market Abuse Regulation) replaces Market Abuse Directive 2003/6/EC and the associated implementing acts of the Commission. It aims to ensure market integrity, the smooth functioning of the securities markets, and thus public confidence in the financial markets. It takes account of the further development of the markets and the technological developments of the last few years until the present, to that extent bringing about a modernization of the existing rules.

The Market Abuse Regulation expands the scope of application of the market abuse regime to all financial instruments admitted or traded on regulated markets or on multilateral or organized trading facilities, as well as to financial instruments whose value or price depends on the aforementioned financial instruments (e.g., credit default swaps, contracts for difference, etc.). Moreover, the regulation also covers emission allowances and auctioned products based thereon that are offered on an authorized auction platform, even if they are not financial instruments.

At the end of 2015, the Market Abuse Regulation was still in the process of being incorporated into the EEA Agreement. Issuing the Liechtenstein implementing act serves to create the absolutely necessary national legal basis and to repeal the existing Market Abuse Act (MAA).

The consultation report on the Market Abuse Implementing Act is scheduled to be presented to the Government in February 2016. The first reading is planned for June or September 2016. After incorporation into the EEA Agreement, Regulation (EU) No 596/2014 will in any event have direct effect in Liechtenstein. The earliest date will be 3 July 2016.

### **Markets in Financial Instruments Directive (MiFID II)**

After benchmarks for implementation of the European MiFID II directive were defined together with the market in 2014, the work on the draft laws progressed in 2015. The appointed steering committee and the working group met for several meetings. A draft consultation report was discussed in a workshop with the market representatives before the Government carried out the consultation in October 2015. The deadline for the consultation, in which the various interest groups actively took part, was in December 2015. Consideration of the proposal in Parliament is scheduled for 2016.

The aim of the recast Markets in Financial Instruments Directive is to make financial markets more efficient, resilient, and transparent and to strengthen the protection of investors. It contains provisions on the authorization of investment firms, the purchase of qualifying holdings, the exercise of the freedom of establishment and the free movement of services, the conditions for carrying out the activity of investment firms in terms of investor protection, the powers of the supervisory authorities in host and home member states, and sanctions.

### **PRIIP Implementing Act**

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIP) was published on 9 December 2014.

The regulation strengthens information and transparency obligations as well as the duties of conduct when distributing such products by defining uniform rules governing the format and content of the key information document (KID). By implementing a standardized KID for nearly all products available to retail investors, the comprehensibility and user friendliness of the product information is ensured. The goal is to ensure comparability of different investment products throughout the entire EEA and to create a uniform level of investor protection.

The personal scope of application of the regulation covers PRIIP manufacturers and persons who advise on or sell PRIIPs. When distributing a PRIIP, it must be ensured that the KID is provided to the retail investor in good time so that the investor can take all the received information into account when making an investment decision.

In its meeting of 19 January 2016, the Government adopted the consultation report on the Implementation Act for Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products. The EU regulation has direct effect in Liechtenstein upon incorporation into the EEA Agreement. The earliest date will be 1 January 2017.



**Complete revision of the AACA,  
implementation of the EU Statutory Audit  
Directive, EU Regulation No 537/2014**

During the reporting year, the implementation work for the Statutory Audit Directive 2014/56/EU was continued. Several workshops of the working group appointed by the Government took place. Talks were held with the Ministry for Home Affairs, Justice and Economic Affairs concerning the necessary amendments to the PGR as well as with the Office for Foreign Affairs. The Liechtenstein Association of Auditors was closely involved in the process. Based on the results of the workshops, the FMA on behalf of the Ministry for General Government Affairs and Finance prepared a draft law that was approved by all members of the working group. This draft was sent to the EEA Coordination Unit for an appraisal under EEA law. The amendments of the law are scheduled to enter into force on 1 January 2017.

## 2.2 Banking Division

### Completed regulatory projects

#### **Changes to administrative assistance rules**

With its judgment of 1 July 2014 (StGH 2013/50), the Constitutional Court found the significant provisions on administrative assistance set out in the Financial Market Authority Act (FMA Act) to be unconstitutional and voided them. After consideration and adoption by Parliament, the necessary resulting amendments were published in the Liechtenstein Law Gazette on 10 December 2015. They entered into force on 11 December 2015.

The new rules grant a general right to inspect files, which may be limited under certain conditions, as well as a right of the information holder to comment on the request for information. Procedurally, the Administrative Court now decides only after the FMA has obtained the documents and information. The Administrative Court thus makes its decision on execution of administrative assistance with knowledge of the relevant fact pattern as well as any comments by the information holder. After a positive decision by the Administrative Court, the FMA forwards the information to the requesting foreign authority. This change corresponds to the legal opinion of the Constitutional Court in its judgment of 1 July 2014.

It is of essential interest for the financial centre that the international standards of the International Organization of Securities Commissions (IOSCO) at the global level and of the European Securities and Markets Authority (ESMA) at the European level continue to be safeguarded. This is the only way to ensure that Liechtenstein financial intermediaries continue to have access to the international financial markets and that market abuse is combated effectively.

# Business models of the FinTech universe

*The term “FinTech” (“financial technology”) stands for modern and innovative technologies in the field of financial services. FinTechs are companies that use technology-based systems to offer client-oriented financial services.*

## **Payment transactions**

Electronic payment and transfer methods increasingly permeate our everyday life. Even chewing gum at the kiosk can now easily and quickly be paid for electronically. The spread of smartphones coupled with the development of the necessary technologies are promoting this trend toward a digital wallet very quickly.

## **Crowdfunding**

In crowdfunding, a person or a company raises money from a large number of persons for a project or for the implementation of a business idea. This is made possible through the Internet and the appropriate platforms. For instance, it is possible to participate with just a few clicks in a company that has developed a new concept for operating cafés and needs capital to turn that concept into practice.

## **Automated financial advice**

In automated financial advice, software takes over the role of an investment advisor. The potential investor provides personal data online as well as information about his or her situation in life, the investment amount, and the willingness to take risks. An algorithm calculates investment opportunities that are then suggested to the client.

## **Virtual currencies**

A virtual currency is a digital representation of a value that can be traded on the Internet and can be used as a means of payment for real goods and services. Virtual currencies are not currently accepted as legal tender, however. The best-known virtual currency is bitcoin.

## **Insurance**

The digital transformation is also affecting the insurance industry. Driving behaviour or healthy lifestyles, for instance, have an impact on the premium amount. The basis is electronic collection and evaluation of large volumes of data (big data).

### Digitalization is changing the financial service industry

The significance and the possible future added value of these changes are assessed by banking institutions\* in different ways.



\* Swiss banks were surveyed, without the major banks.  
Source: EY Bankenbarometer 2016

---

### Approach and role of the supervisory authority

Financial technologies drive innovation and change in the financial industry. On the one hand, they change the business of the classic financial service provider. At the same time, companies from the technology sector are using technology-based products to penetrate the financial services sector.

Financial technologies represent an opportunity for Liechtenstein. The FMA's approach is to use and design regulation in such a way that established financial service providers and new companies are able to realize their business models. The regulatory framework should be designed in a technology-neutral way so that there is fair competition among all participants.

As a supervisory authority, the FMA is concerned not only with the opportunities, but also with the risks of technology-based business models. It must ensure that client protection and trust in the financial centre are safeguarded and that the stability of the financial system is not put at risk. To guarantee market access to the European Economic Area, the business models must also be compliant with European rules.

The FMA has established an internal competence team, the "Regulatory Laboratory", which deals with regulation and innovation in the field of financial technologies. At the interface between regulation and market, the team is a contact point for established financial service providers and companies in the FinTech sector. This dialogue is key so that innovations can be realized and so that the demands of regulation and supervision are met.

## Pending regulatory projects

---

### Implementation of CRD IV/CRR

On 1 February 2015, a comprehensive revision of the Banking Act entered into force in Liechtenstein. This revision became necessary due to the comprehensive changes arising from implementation of Directive 2013/36/EU and Regulation (EU) No 575/2013, i.e., the CRD IV package. CRD IV covers provisions on equity and liquidity standards developed at the global level and is intended to strengthen the stability of the banking system.

On an ongoing basis, the European Banking Authority (EBA) issues standards, guidelines, and recommendations accompanying the two main legal acts. By the end of 2015, a total of more than 40 delegated acts and implementing acts as well as more than 30 guidelines and recommendations had already been published. For the CRD IV package alone, about 100 delegated acts and implementing acts are expected from the EBA.

In principle, EU regulations at the level of main or accompanying legal acts have direct effect upon incorporation into the EEA Agreement. But because the CRD IV package is still being incorporated into the EEA Agreement at the EEA level, the CRD IV accompanying legislation is currently being transposed step-by-step into Liechtenstein law. In 2015, a total of seven regulations were declared binding through inclusion in Annex 1 of the Banking Ordinance. In addition, several EBA guidelines and EBA recommendations became binding through the FMA communications.

As soon as the incorporation process for the CRD IV package has been completed at the EEA level, a large number of regulations will have direct effect. Timely

adjustments to internal and external processes will entail considerable effort for banks and investment firms, audit companies, and the FMA.

### Implementation of the Bank Recovery and Resolution Directive

The goal of the Bank Recovery and Resolution Directive (BRRD) is to establish a uniform framework for crisis management (restructuring and orderly liquidation) of banks and investment firms. The use of public funds to rescue banks and investment firms that are not sound or that are in default is to be prevented.

The BRRD is divided into early intervention, recovery, and resolution phases. During the first two phases, the stability of the bank or investment firm is to be restored if the financial position deteriorates. The resolution phase serves to secure the continuation of systemically critical functions.

Implementation of the BRRD requires the establishment of a national resolution financing arrangement and a resolution authority. The resolution financing arrangement serves to secure effective application of the resolution instruments by the resolution authority. The resources to be paid into this resolution financing arrangement in the amount of 1% of all covered deposits of the institutions must be contributed by the institutions by 31 December 2027.

The implementation deadline for the BRRD within the EU was 31 December 2014. At the end of 2015, the directive was still in the incorporation phase at the level of the EEA Agreement. In 2015, the FMA prepared a consultation report for the Government. After implementation of the CRD IV/CRR package, the BRRD is the second major banking regulation in a short period of time that ties up substantial

resources on the part of the public authorities and the financial institutions. Implementation in Liechtenstein is planned for the beginning of 2017.

### **European Payment Services Directive II**

At the end of 2015, the European Commission published the recast Payment Services Directive II (PSD II). PSD II revises the previous Payment Services Directive from the year 2007 and aims to improve the protection of European consumers and businesses, introduces stricter security standards, and creates more modern, efficient, and low-cost payment services.

PSD II brings about a full harmonization of many areas of European payment transactions, with significant consequences for existing payment service providers. At the European level, the directive must be implemented by 13 January 2018. Due to the importance of PSD II, implementation work in Liechtenstein must also begin already in 2016 in order to take over the European standard in a timely manner.

### **Implementation of the Deposit Guarantee Schemes Directive**

Implementation of the Deposit Guarantee Schemes Directive (DGSD) is a key component of European financial regulation, especially given that the resources in a guarantee scheme may also play a role in resolution funding. Deposit guarantee schemes also contribute substantially to maintaining confidence in the banking system and, in the event of a crisis, to preventing a massive reduction of savings deposits.

Thanks to a broadened and clarified scope of coverage, faster repayment periods, improved information, and improved resources for guarantee schemes due to the introduction of funding rules for deposit guarantee systems, depositor confidence in the financial stability is to be strengthened in the EEA. The significant

innovation of the DGSD for Liechtenstein is the step-by-step transition from a purely ex-post system of deposit funding to a system in which the resources for a compensation case must be contributed ex ante by the banks.

Within the EU, the DGSD had to be implemented into national law by 3 July 2015. Because the DGSD was still being incorporated into the EEA Agreement at the end of 2015, implementation in Liechtenstein should not be expected before 2017.

### **Introduction of a Payment Accounts Act**

With the Directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (Payment Accounts Directive, PAD), essentially three goals are being pursued: better comparability and greater transparency of fees related to payment accounts, facilitation of national and cross-border account switching, and comprehensive access to payment accounts with basic features (“basic payment account”).

To implement the PAD, a new Payment Accounts Act will be created that offers greater transparency to consumers for payment accounts. With the introduction of a comparison website and fee documentation, payment account fees will be made comparable and transparent for consumers. The PAD also envisages a procedure that is harmonized across the Union for payment account switching.

Finally, the PAD envisages that consumers will be offered basic payment accounts by all or at least a sufficient number of credit institutions. In that way, the PAD guarantees all consumers access to such an account. The basic payment account includes essential

services of a payment account, such as placing funds and withdrawing cash, as well as undertaking payment transactions.

EU member states must implement the PAD into national law by 18 September 2016. In Liechtenstein, the PAD will probably be applied only after the PAD has been incorporated into the EEA Agreement. For that reason, entry into force in Liechtenstein is planned only in the year 2017.

## 2.3 Securities Division

### Completed regulatory projects

#### **Investment Undertakings Act**

On 2 December 2015, Parliament adopted the new Investment Undertakings Act (IUA). The scope of application of the IUA covers investment undertakings for individual investors, families, interest groups, and corporate groups. Such a law became necessary because the old IUA from the year 2005 was repealed upon incorporation of the EU Alternative Investment Fund Managers Directive (AIFMD), removing the legal basis for existing investment funds. The FMA worked intensively on preparation of the new law. The law will enter into force at the same time as the decision of the EEA Joint Committee on incorporation of the AIFM Directive.

#### **UCITS V Directive**

On 2 December 2015, Parliament decided to amend the UCITS Act, which had become necessary in connection with implementation of the EU directive amending the UCITS IV directive relating to undertakings for collective investment in transferable securities (UCITS V). With this directive, uniform rules for the responsibilities and liability of depositaries,

remuneration policy, and sanctions are established. The FMA worked intensively on the preparations for the legislative amendments. The UCITS Act was published in the Liechtenstein Law Gazette on 28 January 2016. The amendments enter into force on 18 March 2016.

#### **EuVECA and EuSEF**

On 2 December 2015, Parliament decided to amend the AIFM Act, which had become necessary in connection with implementation of the EU Regulation on European venture capital funds (EuVECA) and the EU Regulation on European social entrepreneurship funds (EuSEF). Both EU regulations concern the funding of undertakings and support the goals of the Europe 2020 strategy for smart, sustainable, and inclusive growth. These products are managed by AIFMs. The process of incorporating these directives into the EEA Agreement had not yet been concluded by the end of 2015. The legislative amendments will therefore enter into force only with the incorporation decision of the EEA Joint Committee. The FMA is responsible for registering managers and of EuSEFs and EuVECAs.

### Pending regulatory projects

#### **Regulation on European long-term investment funds**

On 29 April 2015, the European legislative power adopted the Regulation on European long-term investment funds (ELTIF Regulation). With this regulation, more capital is to be channelled by professional investors as well as retail investors especially into infrastructure projects, real estate, and unlisted companies. In this way, long-term investments are to be made less dependent on bank funding. Only AIFMs are permitted to manage and distribute ELTIFs. For this purpose, they require an additional but simplified approval. In return, they receive an



*Bow compass*  
made of beech wood with metal tips. Rounded wooden  
part affixed with a wooden wedge to fix the diameter.  
(19th century)



EU passport entitling them to distribute these funds throughout the EU. The process of incorporating the regulation into the EEA Agreement was not yet concluded by the end of 2015. National implementation in Liechtenstein will be accomplished by modifying the AIFM Act.

#### **Amendment of the Transparency Directive**

On 22 October 2013, the European legislative power adopted Directive 2013/50/EU amending the Transparency Directive. With this directive, the administrative burden should be reduced for small and medium-sized issuers that want to be admitted to trading on a regulated market, in order to facilitate their access to capital. The process of incorporating the directive into the EEA Agreement was not yet concluded by the end of 2015. To implement the directive, the FMA has prepared a proposal to amend the Disclosure Act. The first reading in Parliament took place on 2 December 2015.

#### **Regulation on short selling and certain aspects of credit default swaps**

On 14 March 2012, the European legislative power adopted the Regulation on short selling and certain aspects of credit default swaps. This regulation aims to create a uniform regulatory framework within the EEA in order to minimize the financial instability of the markets and thus to strengthen the internal market. The process of incorporating the regulation into the EEA Agreement was not yet concluded by the end of 2015. To implement the regulation, the FMA prepared the EEA Short Selling Regulation Implementation Act (EEA SSRIA). The law serves to create the absolutely necessary requirements for enforcing the regulation in Liechtenstein. The first reading in Parliament took place on 2 December 2015.

#### **Outlook**

Many new regulatory projects are on the near horizon that either have already been adopted at the European level or have already progressed very far. Additionally, the European Commission presented a Green Paper on Building a Capital Markets Union on 18 February 2015. The rules contained in the green paper are especially concerned with rating agencies, risk capital funds of funds and transnational funds, crowdfunding, the Prospectus Directive, and securitizations. At the ESMA level, moreover, approximately 200 regulatory packages in the form of guidelines, recommendations, and regulatory technical standards are expected.

### **2.4 Insurance and Pension Funds Division**

#### **Completed regulatory projects**

##### **Implementation of Solvency II Directive**

The most important regulatory project in insurance was concluded with the entry into force of the completely revised Insurance Supervision Act and the Insurance Supervision Ordinance as well as the amendment of other enactments. This implemented the European insurance rules (Solvency II including Omnibus II) into national law in a timely manner by 1 January 2016.

With Solvency II, the previous static system for determining capital adequacy has been replaced by a risk-based system that defines new requirements especially in regard to governance, risk management, and reporting. Solvency II also entails far-reaching changes to the supervisory processes and instruments.



In addition to implementation of the Solvency II framework directive (2009/138/EC) and the amending directive Omnibus II (2014/51/EU), the new Insurance Supervision Act put delegated acts of the European Commission into effect. This ensures the applicability of all relevant European requirements in the insurance field. In particular, this concerns Commission Delegated Regulation (EU) 2015/35 and numerous other implementing regulations as well as delegated equivalence decisions of the European Commission.

### **EIOPA guidelines**

In addition to the Joint Guidelines on the convergence of supervisory practices relating to the consistency of supervisory coordination arrangements for financial conglomerates, the FMA put the EIOPA guidelines on Solvency II into effect. These guidelines further specify the requirements under the Solvency II Directive and the accompanying implementing provisions. FMA Communication 2013/1 contains an overview of all applicable EIOPA guidelines.

### **Pending regulatory projects**

---

#### **Reform of occupational pensions**

The Liechtenstein Government initiated the reform of the Occupational Pensions Act (OPA) in 2014 and, in cooperation with the FMA, prepared a draft law. Key elements are an increase in the level of benefits as well as stronger governance provisions. The draft law aims to increase the level of benefits of retirement pensions by way of four measures:

- The contributions to occupational pensions are to be increased from currently at least 6% to at least 8% of the allowable salary for each individual employee;

- In future, the entire applicable annual salary of an employee is to be insured in principle. The existing exemption in the amount of CHF 13,920 deducted from the applicable annual salary is to be eliminated;
- By moving up the beginning of the insurance obligation for retirement benefits to 1 January after the 19th birthday, the savings period is extended;
- The entry threshold for the insurance obligation is to be reduced to CHF 13,920. This results in the inclusion of a larger share of employees in the occupational pension system.

The draft law was considered by Parliament in a first reading in December. The second reading is scheduled for the first half of 2016.

## **2.5 Other Financial Intermediaries Division**

### **Pending regulatory projects**

---

#### **Implementation of the EU**

##### **Professional Qualifications Directive**

The FMA continued the work begun in the previous year under the leadership of the EEA Coordination Unit to implement the Professional Qualifications Directive 2013/55/EU as part of the appointed working group. The working group defined which provisions must be implemented in which laws. The FMA addressed numerous preliminary questions to the EEA Coordination Unit, which were clarified by the EEA Coordination Unit and the EFTA Surveillance Authority (ESA). The Liechtenstein

Institute of Professional Trustees and Fiduciaries was informed early on about important changes and possible consequences.

The core point of the further work is the concrete implementation of the directive provisions in the special laws as well as in the Law on the Recognition of Professional Qualifications. A single consultation report is to be prepared for all laws to be amended. As a significant innovation, the possibility of applying for partial licences is being created.

#### **Amendment of the Professional Trustees Act**

With its judgment of 11 May 2015, StGH 2014/146, the Constitutional Court found article 5, paragraph 1 (d) of the PTA to be unconstitutional, according to which only persons with Liechtenstein citizenship or the citizenship of a Contracting Party to the Agreement on the European Economic Area (EEA Contracting Party) could be admitted as a professional trustee (or as a person actually managing a trust company). With the required amendment to the PTA, Swiss citizens will now explicitly be included in order to create a constitutionally compliant provision. In October, Parliament considered Report

and Application No. 83/2015 prepared by the FMA on behalf of the Government. The second reading is planned for March 2016 and entry into force on 1 May 2016. The legislative amendment also requires a modification of the Professional Trustee Examination Ordinance (PTEO), which now will also explicitly mention Swiss citizens.

#### **Amendment of the Gambling Act**

The FMA will be responsible for the due diligence supervision of casinos and online gambling providers. Several discussions with the Office of Economic Affairs took place regarding amendment of the Gambling Act. The first reading in Parliament took place in December (Report and Application No. 137/2015).



**Butter curler**

*made of lime wood, consisting of a handle with a hole for attaching a string. The wooden roll is decorated with carvings in the form of a lamb with a flag, crown, and the holy of holies. (1st half of the 20th century)*

3.1 National External Relations

3.2 International External Relations

3.3 Bilateral Cooperation

### 3.1 National External Relations

#### **Celebration of the 10th anniversary**

At the beginning of 2015, the FMA celebrated its 10th anniversary. It began operational activities on 1 January 2005 as an independent and integrated supervisory authority. For this occasion, the Board of Directors and the Executive Board received H.S.H. Hereditary Prince Alois von und zu Liechtenstein, Prime Minister Adrian Hasler and other Ministers, Members of Parliament, and representatives of the business associations for a celebration at the FMA premises.

#### **Conference on the real estate and mortgage market**

On 29 October 2015, the FMA held a public event in Vaduz on the Liechtenstein real estate and mortgage market. With an audience of about 150 participants, the FMA presented the results of its report on the Liechtenstein real estate and mortgage market. The speakers were Christoph Reich (Liechtensteinische Landesbank), Wolfgang Risch (Confida), National Valuation Surveyor Peter Konrad, Ronny Haase (Wüest & Partner), and Christian Schmidt (FMA). The welcoming remarks were given by Deputy Prime Minister Thomas Zwiefelhofer. Urs Philipp Roth-Cuony moderated the event.

#### **Training against market abuse and insider trading**

At the invitation of the FMA, experts from the US Securities and Exchange Commission (SEC) conducted training in Vaduz relating to measures against market abuse and insider trading. The topic of the four-day event was the detection, investigation, and prosecution of abuses relating to securities trading. The training programme was attended by approximately 50 people, including employees of

the Financial Market Authority Liechtenstein, the Office of the Public Prosecutor, the Financial Intelligence Unit, the National Police, the German Federal Financial Supervisory Authority, and the Austrian Financial Market Authority.

#### **Report on occupational pensions**

On 11 December 2015, the FMA published its report on the situation of pension schemes. At the end of 2014, nearly 40,000 people were insured by occupational pension schemes. The average funding ratio of the pension schemes was 106%. The total assets of the pension schemes amounted to CHF 5.8 billion at the end of 2014, which corresponds approximately to Liechtenstein GDP or CHF 154,000 per capita. The low interest rate environment and demographic changes are a huge challenge for the 25 pension schemes supervised by the FMA.

#### **“FMA Practice”**

In September, the FMA published “FMA Practice”, in which the authority provided in-depth information about its supervisory practice and its supervisory activities in 2014. In anonymized form, it reports on decisions and decrees of the FMA, rulings of the FMA Complaints Commission, as well as judgments of the Administrative Court and the Constitutional Court in connection with financial market supervision. For the first time, the FMA commented on individual court decisions.

#### **Cooperation with the University of Liechtenstein**

In February 2015, the University of Liechtenstein launched its Compliance Officer certificate programme. This programme prepares participants for qualified work in the field of compliance and conveys practice-oriented expertise for compliance officers in enterprises, banks, insurance companies, fund companies, and public institutions. The FMA has

a high level of expertise at its disposal in this field and provides numerous lecturers to the University of Liechtenstein for individual course modules. In the previous year, the FMA had helped develop the programme.

The focus of Compliance Day 2015 at the University of Liechtenstein in May was on cross-border compliance. Due to the strong international ties of the Liechtenstein financial centre, there are numerous cross-border legal and business relationships. The FMA provided speakers and worked on the design of the conference programme. At the beginning of December, the FMA presented itself as an employer at the Career Day in Finance hosted by the Institute for Financial Services.

## 3.2 International External Relations

### 3.2.1 Global cooperation

#### **MONEYVAL**

Liechtenstein is a member of MONEYVAL, the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. MONEYVAL is one of eight regional bodies (FATF-style regional bodies, FSRBs) of the Financial Action Task Force (FATF). The regional bodies must fully implement the FATF standard and, as associated members of the FATF, must report regularly to the FATF.

Like the FATF itself, the regional bodies conduct mutual assessments of their member states. To prepare the evaluation round according to the new FATF standard, four country trainings were carried out in the reporting year in Hungary, Slovenia, Ukraine, and the Isle of Man. Two events were also held to

train new evaluators. The host countries were Armenia and Liechtenstein. A total of 28 people from 22 countries took part in the training in Liechtenstein in November 2015.

In the reporting year, MONEYVAL conducted three on-site assessments in Jersey, Armenia, and Serbia, in the last two mentioned countries already according to the new FATF standard. Five evaluation reports on Montenegro, Bosnia and Herzegovina, Guernsey, Jersey, and Armenia were discussed and adopted in the MONEYVAL plenaries.

An FMA employee who also works as an expert for MONEYVAL was deployed as an assessor in the country assessment of Guernsey. Another FMA employee worked as an assessor in the first MONEYVAL country evaluation in accordance with the new FATF standard in Armenia.

#### **International Organization of Securities Commissions (IOSCO)**

IOSCO defines the internationally valid regulatory standards relating to securities. The FMA's membership of IOSCO strengthens the global integration of the financial centre and facilitates access to foreign markets for Liechtenstein financial intermediaries. The FMA participated in the 40th Annual Conference of IOSCO in summer 2015. The FMA also takes part in the IOSCO ERC (European Regional Committee).

#### **International Association of Insurance Supervisors (IAIS)**

The IAIS defines the international standards for insurance supervision. Representatives of the FMA took part in the IAIS Annual Conference in Morocco, which facilitates the direct exchange with supervisory authorities from relevant jurisdictions. An FMA employee also participates in the subcommittee of

the Financial Stability Committee (FSC) and as the vice chair of the Macroprudential Policy and Surveillance Working Group (MPSWG).

### **International Organisation of Pension Supervisors (IOPS)**

IOPS defines the standards at the international level for the supervision of institutions for occupational retirement provision. The FMA takes part in the annual general meetings of IOPS in order to exchange views with the other authorities and ensure compliance with international standards. Representatives of the FMA took part in the IOPS Annual General Meeting in Berlin.

### **Group of International Financial Centre Supervisors**

The Group of International Financial Centre Supervisors (GIFCS) is an international association of financial market supervisory authorities with a regulatory focus on the banking and fiduciary sector as well as combating money laundering and terrorist financing. The organization is composed solely of smaller jurisdictions.

The GIFCS is a member of the Basel Consultative Group, which has observer status in the Basel Committee. The GIFCS also has observer status at the FATF and MONEYVAL and is a member of the FSB Regional Consultative Group for Europe. The organization thus predominately is involved in initiatives of the FATF, the Basel Committee, and the Financial Stability Board.

The FMA has taken part as an observer in the GIFCS meetings. The focus has been on publishing the Standard on the Regulation of Trust and Corporate Service Providers, which aims to be established as the international standard for the fiduciary sector.

### **Enlarged Contact Group on the Supervision of Collective Investment Funds (ECG)**

At the annual meeting of the ECG, the focus was on discussing current regulatory developments as well as exchanging view on more than 100 concrete questions arising from supervisory practice. The ECG celebrated its 40th anniversary and is thus one of the oldest forums for global cooperation among fund supervisory authorities. The body has 31 member countries.

### **International Forum of Independent Audit Regulators (IFIAR)**

As a member of the IFIAR, the FMA took part in the plenary meetings and a workshop during the reporting year. The core topics of the plenary meeting were improving the quality of statutory audits and creating a common understanding of audit quality, as well as ensuring implementation of improvement measures at the national level. As part of the workshop, the FMA participated in expert seminars on external quality assurance relevant to statutory audits (audit supervision). The emphasis here was on risk-based quality control, thematic quality controls, the EAIG Common Audit Inspection Methodology, as well as indicators of audit quality.

The FMA is also a member of the Task Force Smaller Regulators, the responsibilities of which include the integration of small audit supervisory authorities or those that have recently joined the IFIAR. The task force will take up its work in 2016.

### 3.2.2 European cooperation

#### Level 2

The Level 2 committees support the European Commission in the elaboration of technical implementing provisions for the framework legislation enacted by the EU bodies at Level 1. They also advise the Commission on technical questions. As an EEA member, Liechtenstein has observer status.

#### **Committee on the Prevention of Money Laundering and Terrorist Financing (CPMLTF)/Expert Group on Money Laundering and Terrorist Financing (EGMLTF)**

Meetings of the EGMLTF took place in 2015, in which representatives of Liechtenstein regularly participated. The work begun by the expert group in previous years on the performance of a supranational risk analysis was intensified, and in-depth exchanges on the supranational risks took place. In this connection, the initialization work for a national risk analysis undertaken so far in EU member states was compared. This work constitutes an important data basis for supranational risk analysis.

After the 4th EU Money Laundering Directive was adopted by the European Parliament and the Council on 25 June 2015, the expert group subsequently took up work on its implementation. For this purpose, the results from the implementation workshops were analysed in the expert group.

The expert group also discussed the country evaluations. The purpose is to develop a common understanding of the interpretation of the international and European rules relating to AML/CFT.

Also discussed in the EGMLTF were the developments relating to virtual currencies such as bitcoin. No conclusive position by the European Commission could be achieved on possible regulatory efforts in this regard.

#### Level 3

A key responsibility of the European Supervisory Authorities EBA, ESMA, and EIOPA is to ensure a consistent and equivalent implementation and application of the European regulatory framework in the area of financial supervision throughout Europe (Supervisory Handbook) and in this way to develop a uniform supervisory practice (Single Rulebook). Liechtenstein has observer status in all three supervisory authorities.

#### **European Banking Authority (EBA)**

The European Banking Authority has played a crucial role so far in the technical implementation and application of the new rules in the CRD IV package. Of the nearly 250 agendas commissioned by the EBA, the areas of credit and market risk, liquidity, and leverage ratio were examined in particular in 2015.

The work mainly concerned the development of detailed technical provisions by preparing binding delegated acts or implementing regulations. At the beginning of 2015, the Commission Delegated Regulations (EU) 2015/61 and 2015/62 were issued. The former contains provisions further specifying the liquidity coverage requirement under Regulation (EU) No 575/2013. Commission Delegated Regulation (EU) 2015/62 restructured an article of the CRR and added two articles to it. Commission Delegated Regulation (EU) 2015/62 serves to prevent differences in calculating the leverage ratio among institutions and to ensure the comparability of figures to be disclosed in the future.



In addition to technical standards, the EBA also developed guidelines, reports, and opinions. For instance, the Guidelines on Sound Remuneration Policies were published in 2015 together with the Opinion on the Application of Proportionality, and the Recommendation on the Equivalence of Confidentiality Regimes was adopted.

While the primary regulatory focus of the European Banking Authority continues to be on developing technical standards, the EBA's importance is also increasing in the legislative process. It drafts various reports and monitors implementation and application of the norms, for instance in the areas of liquidity and leverage ratio.

The supervisory responsibilities of the European Banking Authority in 2015 focused on identifying, analysing, and addressing the main risks of the EU banking sector. Following its recommendation from the EU-wide stress test carried out in 2012 and 2014, the EBA continued to observe capital ratios and the plans of banks to further strengthen their capital resources.

In 2015, the EBA prepared the yearly consumer protection report, which shows the developments and innovations in the financial sector. In addition to the areas examined in the previous years, the report includes a consideration of new areas such as transparency and comparability of payment fees for banking services as well as innovative payment systems. Additionally, numerous technical requirements relating to the Payment Accounts Directive and the second Payment Services Directive were analysed and considered.

In the field of financial innovation, the EBA prepared an opinion on crowdfunding and a guideline on payment accounts. In 2016, topics such as cloud computing, virtual currencies, and the commercial use of data will be examined in more detail.

In November, the European Banking Authority announced that it would carry out another stress test in 2016, covering 70% of the EU banking sector. A total of 53 banks from the entire EU will be examined as part of the stress test. In this context, the emphasis will be especially on the capacity of institutions to buffer shocks and meet the capital requirements even when the macroeconomic environment is unfavourable.

#### **European Securities and Market Authority (ESMA)**

ESMA is responsible for implementation of securities and market regulation. The FMA has observer status and therefore takes part in the meetings of the Board of Supervisors (BoS) and represents the Liechtenstein financial centre in the relevant subcommittees. The financial services industry is currently experiencing a paradigm shift driven by innovations in FinTech. This relevant development is also actively accompanied by ESMA. Since 2015, the FMA has therefore also been a member of the new Financial Innovation Standing Committee, the mandate of which includes regulatory questions relating to the important topic of FinTech.

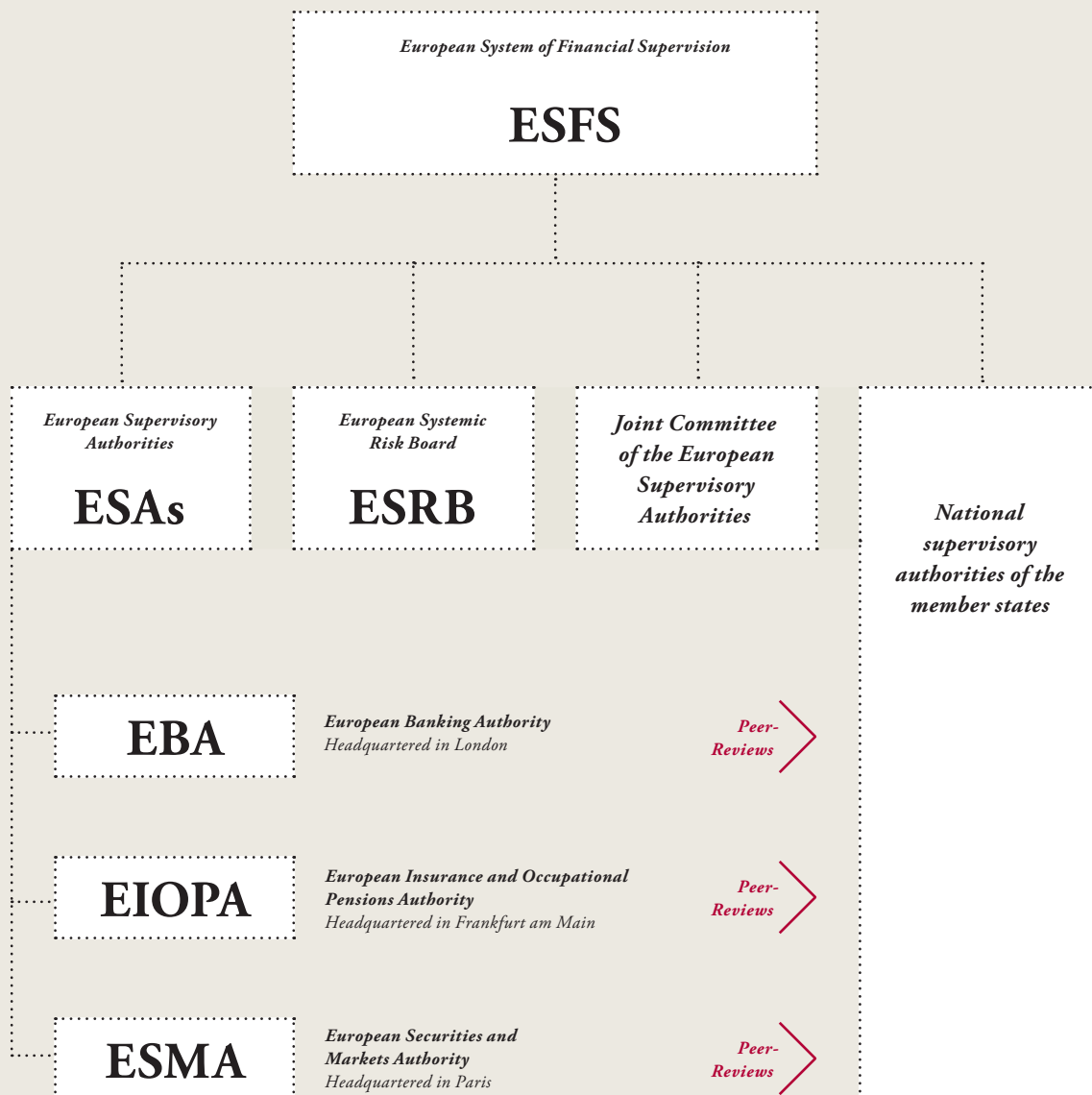
In 2015, ESMA's focus shifted from implementation of the Single Rule book toward securing supervisory convergence among the member states. This will continue to be determinative over the coming years. A key element for securing harmonized and coherent application of the rules consists in the peer reviews of supervisory activity. In 2015, ESMA conducted peer reviews on market abuse supervision, money

# Peer reviews of the European Supervisory Authorities

The supervisory work of the FMA is reviewed by the three European Supervisory Authorities ESMA, EIOPA, and the EBA. These peer reviews constitute an important control instrument of the European Supervisory Authorities to verify compliance with the applicable standards by the national supervisory authorities. The purpose of these reviews is to harmonize regulation and ensure uniform application of the rules.

The inspections are often carried out by an international team that reviews the FMA on site in Liechtenstein. For the FMA, these inspections are associated with a considerable use of resources. At the same time, however, the peer reviews are also an important indicator for the FMA, since they permit FMA's supervisory work to be compared with that of other European supervisory authorities. Through the peer reviews, it can also be ensured that the FMA meets European requirements.

In 2015, one of the topics reviewed by ESMA was market abuse supervision. The FMA fully met the European requirements in this regard. In banking, the EBA reviewed the introduction of technical standards in reporting. In an on-site inspection, the insurance supervisory authority EIOPA reviewed the FMA's preparations for Solvency II. The FMA received a positive evaluation in this regard as well.



market funds, MiFID suitability requirements, and the review of securities prospectuses. The results of the first-mentioned peer reviews were already available at the end of the year. The supervisory approach of the FMA relating to market abuse supervision and money market funds fully meets the European requirements.

### **European Insurance and Occupational Pensions Authority (EIOPA)**

The focus of EIOPA's work was on preparation for implementation of Solvency II effective 1 January 2016. On the basis of the Solvency II Directive, EIOPA prepared numerous implementing standards that were issued by the European Commission as delegated acts. EIOPA furthermore issued supervisory guidelines and recommendations for the national supervisory authorities and insurance undertakings. These are intended to create coherent, efficient, and effective supervisory practices and ensure uniform application of Solvency II.

The FMA's preparations for Solvency II underwent an on-site review by EIOPA's Supervisory Oversight Team (SPOT) in October 2015. The review resulted in a positive assessment by SPOT as well as several suggestions that are being taken into account as part of the ongoing implementation of Solvency II.

The FMA takes part as an observer in the meetings of the Board of Supervisors (BoS), the decision-making body of EIOPA. The FMA is also represented in the most important committees and working groups.

### **Anti-Money Laundering Committee**

The Anti-Money Laundering Committee (AMLC) is the responsible subcommittee within the European Supervisory Authorities (ESAs) concerned with the cross-sectoral topic of prevention of money laundering. The AMLC supports the ESAs in the performance of

their duties in order to ensure coherent application of EU law. Because the 4th EU Money Laundering Directive assigns numerous responsibilities to the ESAs, the responsible subcommittee AMLC has become much more important. The FMA is actively represented on this subcommittee.

In particular, the directive envisages a strengthening of the risk-based approach in meeting due diligence obligations. This necessitates guidance for member states and financial institutions. For this purpose, the ESAs are called upon to define in the form of a guideline which factors should be taken into account in the risk assessment of a business relationship and which simplified or enhanced measures should be taken. Because the 4th Money Laundering Directive does not include much concrete language in this regard, the guideline plays an especially important role. In 2015, the AMLC finalized the draft guideline and conducted public consultations at the end of the year. During the same time period, the draft guideline on risk-based supervision was also circulated to the public for comments. The mandate for this guideline likewise arises from the 4th EU Money Laundering Directive. Numerous comments by the financial industry were submitted in these two consultations.

The 4th Money Laundering Directive also provides for a supranational risk assessment, in which the risks for the Union and the member states in the field of money laundering and terrorist financing are to be determined. As part of this project, the ESAs are mandated to assess the risks to the EU financial sector. The work in this regard has already begun. The final opinion is to be presented to the Commission in 2016.

The revised EU Wire Transfer Regulation 2015/847 also includes a mandate relevant to the AMLC. According to that regulation, payment service

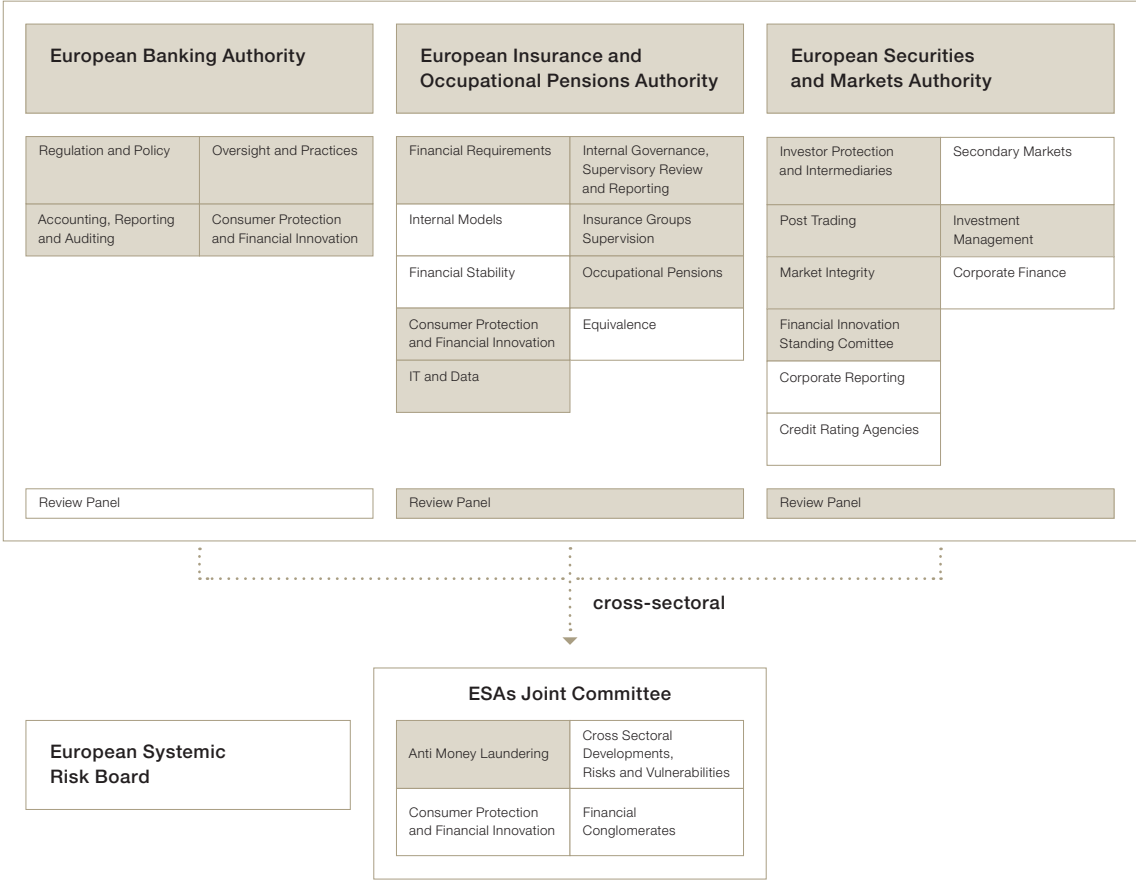


Figure 14  
Cooperation with European Supervisory Authorities

providers must introduce effective procedures to detect cases in which they receive transfers of funds with missing or incomplete information on the payer or the payee, in order to take the necessary follow-up action. A guideline to be prepared by the AMLC is intended to support the payment service providers in developing these procedures.

In addition to the aforementioned rule-setting tasks, the AMLC offers an important platform for the exchange of experiences in supervisory law. The member states inform each other on a regular basis of their questions and activities in supervisory law. Informal surveys of the member states on specific questions of supervision are also a helpful instrument for the national authorities.

#### **European Audit Inspection Group (EAIG)**

Since 2014, the FMA has been a member of the EAIG. The EAIG is developing a Common Audit Inspection Methodology (CAIM) to be adopted by the associated audit supervisory authorities. The results of the jointly analysed quality controls are incorporated into the discussions with the major European audit networks within the Colleges of Supervisors and the European standard-setters (IAASB, IESBA).

Phase 1 of CAIM consists in the quality control process for reviewing the quality assurance processes of the audit companies throughout the firm (firm review). This phase was concluded in autumn 2015. Phase 2 begins in 2016, namely the development of quality control processes for compliance with international audit standards. CAIM takes account of the demanding requirements on audit supervision set out in the new EU statutory audit rules. The FMA is actively involved in the development of this standard.

### 3.3 Bilateral cooperation

#### **Four-country meeting of the national supervisory authorities**

The annual four-country meeting of the German-speaking supervisory authorities took place in Berlin in 2015. The financial market supervisory authorities from Switzerland, Germany, Austria, and Liechtenstein discussed the regulatory developments relating to the recovery and resolution of banks, the Capital Markets Union, client protection, and the economic environment.

#### **Banking Division**

As part of its audit activities relating to money laundering supervision, the FMA Austria visited Liechtenstein several times pursuant to article 30i, paragraph 4 of the Banking Act. The two authorities cultivate a vibrant exchange of experience, as it is planned to further strengthen cooperation. For instance, the FMA is scheduled to accompany an audit by the FMA Austria in Austria as an observer.

#### **Securities Division**

The Securities Division maintained various contacts with European supervisory authorities. Topics included specific supervision cases, the approval and supervision of securities prospectuses, and specific legal questions.

#### **Insurance and Pension Funds Division**

The agreement between Liechtenstein and Switzerland on direct insurance and insurance intermediaries guarantees that insurers and insurance brokers domiciled in one of the two states enjoy the freedom of establishment and the freedom to provide services in the territory of the other country via a uniform licence issued by the home country which is valid in both states. Regular meetings between the FMA and

FINMA within the framework of the joint commission and working groups ensure proper application of the agreement.

**Other Financial Intermediaries Division**

Administrative assistance was provided on the basis of the memorandum of understanding with the Swiss Federal Audit Oversight Authority (FAOA). The FMA and the FAOA also maintained ongoing exchanges on technical matters.

Two meetings of the German-speaking audit oversight authorities also took place in 2015 with representatives from Switzerland, Austria, Germany, and Liechtenstein. The goal of the meetings was to strengthen cooperation, cultivate professional exchange, and to provide guidance and make use of synergies in view of the new EU statutory audit rules.

4.1 Organization .....

4.2 Corporate Development .....

.....  
4.3 Finances



## 4.1 Organization

### 4.1.1 Organizational structure

With its supervisory divisions – Banking, Securities, Insurance and Pension Funds, and Other Financial Intermediaries – the organizational structure of the FMA reflects the structure of the financial centre. This ensures closeness to practice and the market. Horizontal responsibilities are performed by the Executive Office and Central Services. The organizational structure remained unchanged in the reporting year.

### 4.1.2 Corporate governance

#### **Declaration on compliance with the Recommendations on the Governance and Control of Public Enterprises in Liechtenstein**

The Board of Directors and the Executive Board of the FMA Liechtenstein jointly declare that the Recommendations on the Governance and Control of Public Enterprises in Liechtenstein, in the version of July 2012, have been complied with without exception.

#### **Integrated risk management and control system**

The work of a financial market supervisory authority entails numerous risks. Risk management and the internal control system (ICS) are therefore important instruments for quality assurance and for avoiding damage to reputation, cases of public liability, or organizational failure. The FMA therefore attaches great importance to the further development and refinement of these systems.

During the reporting year, the risk management and ICS were given a new foundation with the creation of an integrated risk management and control system. The main goal of the combined system is to identify the risks with which the FMA is confronted, in order to take measures in advance to prevent or reduce the risks. By combining the systems, the goal is to achieve a better use of resources and to enhance the effectiveness of the FMA's risk management. Additionally, the measures taken are intended to optimize the internal processes of the FMA on an ongoing basis.

### 4.1.3 FMA funding

The revised FMA funding model entered into effect at the beginning of 2014. The FMA is funded through taxes paid by the supervised financial intermediaries, income from fees, and a state contribution. The funding model has proven its value in the two years since its introduction.

The legislative basis for the state contribution to the FMA expires on 31 December 2016. The legislative power must therefore provide a new basis for the state contribution in 2016 in order to secure the FMA's funding. The rationale for the state contribution is in part justified by the fact that the FMA performs numerous responsibilities that benefit the economy of the country in general, in addition to its supervisory tasks. Moreover, the relatively small size of the financial centre means that the FMA cannot benefit from economies of scale, and a direct transfer of all costs to the financial intermediaries might exceed their economic capacity.

#### 4.1.4 Occupational retirement provision

For the purpose of occupational retirement provision, the FMA is associated with the Liechtenstein Occupational Pensions Foundation (SPL). To ensure financial equilibrium for the long term, the Foundation Council of the SPL decided in December to set the interest rate on retirement assets in 2015 to 0.5% and to reduce the pension-determining conversion rate in annual steps from 1 January 2018 to 2024. Due to the difficult capital market environment and continuingly record-low interest rates, the SPL expects low investment returns in the coming years.

#### 4.1.5 Infrastructure and security

At its location at Landstrasse 109 in Vaduz, the FMA has a modern infrastructure and a high standard of building security. An external company conducted a security audit. The expectations in regard to the security measures and the technical security system, also in regard to data and information protection, were met.

When enforcing measures under supervisory law and in the course of their supervisory work, FMA employees may be exposed to threatening verbal and physical situations. As part of security management, a pilot training programme with an external expert was carried out in the reporting year on how to deal adequately with threatening situations. All FMA employees will receive training in 2016 on how to behave properly and how to deescalate such exceptional situations.

After the terrorist attacks in Paris in November, the FMA employees were released from the obligation to participate in the meetings of international supervisory bodies and organizations in Paris and Brussels.

## 4.2 Corporate Development

### 4.2.1 Human resources management

Sufficient availability of qualified specialists is of the utmost importance for the FMA to fulfil its mandate. In the spring, the Board of Directors adopted a comprehensive personnel strategy to preserve and promote the attractiveness of the FMA as an employer and to ensure the further development of personnel policy.

One measure as part of this strategy was an employee survey conducted in May. The survey indicated that employee satisfaction is gratifyingly high. Based on the personnel strategy, a staff development model was elaborated. In the initial expansion stage, the model sets out the development prospects in the FMA and includes an assessment of potential. In a second expansion stage, the model will be supplemented by succession planning. As further implementation measures, a job rotation model and an internal training programme for employees were developed.

One element of a modern personnel strategy consists in modern working conditions. To the extent of its operational possibilities, the FMA therefore promotes flexible working models. Working hours were made more flexible, and employees will in future have opportunities for mobile work and a home office. Other measures relating to integration and the promotion of health round off the new personnel strategy.

#### 4.2.2 Information and communication technologies

In recent years, key elements of the FMA's IT strategy have been implemented. The increasing complexity in the supervisory and regulatory system as well as the digital transformation mean that information and communication technologies have to be adjusted continuously to the new developments and requirements.

##### **Reporting**

Information from financial intermediaries for reporting purposes is increasingly being requested in electronic form. The European Supervisory Authorities play a pioneering role in this regard. To meet these requirements, the FMA has launched its e-Service platform. This web-based channel will henceforth be used for the electronic exchange of information between the FMA and the financial intermediaries. Initial reporting requirements have already been implemented and successfully transacted. An additional installed module for the e-Service platform ensures that the specific reporting requirements of the European Supervisory Authorities EIOPA and ESMA can be taken care of in the requisite format (eXtensible Business Reporting Language, XBRL).

##### **Digitalization**

With the goal of improving efficiency, the FMA is working on providing seamless electronic support for its business processes. For that purpose, existing IT solutions have been optimized and integrated to the extent possible. This avoids media breaks, and physical documents are increasingly being replaced by electronic information. With THOR, a software platform has been introduced to ensure the rapid and flexible development of business applications.

##### **Digital mobility**

With the decision to promote mobile work by FMA employees in the future, efforts to adjust the technical infrastructure and work equipment to the demands of digital mobility have begun. This work is scheduled to be completed by the end of 2016.

##### **Office of Information Technology**

The Office of Information Technology (OIT) of the Liechtenstein National Administration is the most important provider of IT services for the FMA. Effective 1 May 2015, the OIT put a new IT strategy into effect. The FMA was also affected by the adjustments to organization and processes. For instance, one IT employee of the FMA was integrated into the OIT team for reasons of efficiency. This measure ensures substitution if important issues arise. The cooperation between the FMA and the OIT on the basis of the new strategy has already proven its worth.

#### 4.2.3 Efficiency, effectiveness, and integration

Supervisory work has steadily become more complex in recent years. The FMA deals with this development by continuously increasing effectiveness and efficiency and by strengthening integration. Information and communication technologies (IT) are a key element in this regard. The FMA's IT has been modernized successively in recent years. With the digitalization of business processes and the integration of the individual systems, the FMA aims to achieve high efficiency gains. Systems such as the master database and the Document Management System show that after an initial investment in development and incorporation into the FMA's operations, significant efficiency gains are realized.

At the management event in August, the focus was on topics important for integration such as a shared understanding of supervision as well as stringency and proportionality of supervision. In the field of supervisory law, proportionality refers to the tiered application of provisions on a case-by-case basis. Small, risk-averse financial intermediaries with a simple structure should be subject to lesser requirements in comparison with large, risk-seeking, and complex financial intermediaries. In this context, stringency refers to the elimination of redundancies, especially in reporting, as well as uniformity and substantive coherence of the specialized supervisory legislation.

#### 4.3 Finances

Pursuant to article 28 of the Financial Market Authority Act (FMA Act), the FMA is funded by a state contribution, supervisory taxes and fees, and income from the provision of services.

In its meeting of 2 December 2014, the Government approved the detailed 2015 FMA budget with a state contribution of CHF 5,000,000 and expenses of CHF 19,260,000. The actual expenses for the 2015 fiscal year were CHF 19,181,230 and thus CHF 78,770 (0.4%) lower than the approved budget.

Income without the state contribution amounted to CHF 17,551,378 and is thus CHF 2,941,378 (20.1%) higher than the budget. This surplus has several reasons. Income from licensing fees ended up CHF 391,090 (46%) higher than budgeted, mainly because more licences in the Securities Division were issued than had been expected. Supervisory taxes were CHF 1,959,887 (14.5%) higher than budgeted. On the one hand, the market developed more positively than expected, and on the other hand, insufficient experience was available when the 2015 budget was prepared due to introduction of the new funding system at the beginning of 2014. The difference in other fees (+ CHF 540,050) is due to the fact that more fees were received from notifications and dissolutions of funds than expected, as well as more fees for issuing decrees.

Pursuant to article 30b of the FMA Act, the FMA is required to constitute reserves each year, until the total reserves have reached 50% of the average regular expenses over the past three years according to the financial statement. Under this legal requirement, the reserves for the year 2015 can reach a maximum of CHF 9,537,448. Because the reserves on

1 January 2015 had already reached CHF 9,382,103, only CHF 155,345 could be assigned to the reserves effective 31 December 2015. The state contribution was adjusted accordingly. Instead of the budgeted CHF 5,000,000, the state contribution for 2015 was CHF 1,785,198. Total income including the state contribution was thus CHF 19,336,575. Deducting the total expenses of CHF 19,181,230, the accounts closed with an annual profit of CHF 155,345.

Personnel expenses in the 2015 fiscal year amounted to CHF 13,669,299 and were thus CHF 95,701 (0.7%) lower than budgeted.

Material expenses at CHF 4,190,924 were CHF 145,924 (3.6%) higher than budgeted. One reason is that a supervision case gave rise to higher expert costs. Additionally, IT costs were higher. The reasons include the invoicing of services by the Office of Information Technology starting in September 2015, conceptual work on the Tax and Calculation Tool (ABT), and optimization work on the Document Management System (DMS Review).

Write-downs totalled CHF 1,321,007 and were thus CHF 128,993 (8.9%) lower than budgeted. In particular, depreciation on software/IT equipment was lower than budgeted. The main reason is that the implementation of two major IT projects had to be delayed. Total IT costs (IT costs and depreciation on software/IT equipment) were CHF 9,448 (0.6%) below budget.

As already mentioned, the FMA had an annual profit CHF 155,345 in the 2015 fiscal year. After allocation of the earnings to the reserves, the total reserves as of 31 December 2015 thus amounted to CHF 9,537,448. The legally defined maximum amount of reserves has thus been exhausted.

Balance sheet as of 31 December (in CHF)

<b>Assets</b>		<b>2015</b>	<b>2014</b>
<b>Fixed assets</b>			
Intangible assets	– Software	875,809.55	1,115,346.29
Tangible assets	– Operating equipment	766,540.65	939,683.50
	– IT equipment	29,095.04	26,814.24
	– Furnishings	142,675.85	98,733.91
<b>Current assets</b>			
Receivables	– Receivables from services	519,075.70	630,708.75
	– Del credere	– 195,424.65	– 186,239.50
	– Other receivables	1,070.28	1,315.30
Bank deposits and cash	– Cash	549.10	642.55
	– Bank	21,184,570.97	20,176,778.19
<b>Accrued items</b>		395,057.43	191,351.76
<b>TOTAL ASSETS</b>		<b>23,719,019.92</b>	<b>22,995,134.99</b>

<b>Liabilities</b>		<b>2015</b>	<b>2014</b>
<b>Equity capital</b>			
	– Endowment	2,000,000.00	2,000,000.00
	– Reserves as of 1 January	9,382,102.94	9,410,477.83
	– Annual profit/loss	155,345.25	– 28,374.89
	– Own funds	11,537,448.19	11,382,102.94
<b>Provisions</b>			
	– Provisions	405,096.60	445,014.69
<b>Accounts payable</b>			
	– Accounts payable from deliveries and services	522,995.05	474,710.60
	– Other accounts payable	66,816.16	150,427.29
	– Accounts payable to the State of Liechtenstein	11,147,551.65	10,410,530.30
<b>Deferred items</b>		39,112.27	132,349.17
<b>TOTAL LIABILITIES</b>		<b>23,719,019.92</b>	<b>22,995,134.99</b>

Income statement from 1 January – 31 December (in CHF)

Expenses	2015	Budget 2015	Budget dev.	2014
<b>Personnel expenses</b>				
Wages	10,599,119.89	10,635,000.00	-35,880.11	10,898,253.40
Social security contributions	1,876,365.34	1,935,000.00	-58,634.66	2,007,255.18
Insurance (sickness and accident daily allowances)	101,940.59	112,000.00	-10,059.41	101,740.99
Insurance benefits (sickness and accident daily allow.)	-76,720.30	-42,000.00	-34,720.30	-105,062.60
Other personnel expenses	275,988.04	200,000.00	75,988.04	124,838.96
Basic and continuing training	300,431.10	300,000.00	431.10	296,146.04
Board of Directors	592,174.24	625,000.00	-32,825.76	621,492.78
<b>Total personnel expenses</b>	<b>13,669,298.90</b>	<b>13,765,000.00</b>	<b>-95,701.10</b>	<b>13,944,664.75</b>
<b>Write-downs</b>				
Depreciation on software/IT equipment	1,022,031.75	1,150,000.00	-127,968.25	1,094,698.35
Depreciation on furnishings	57,744.41	25,000.00	32,744.41	101,093.59
Depreciation on operating equipment	173,142.85	175,000.00	-1,857.15	173,142.85
Write-downs on debtors	68,087.81	100,000.00	-31,912.19	132,932.60
Write-downs on external costs of audit companies	-	-	-	40,000.00
<b>Total write-downs</b>	<b>1,321,006.82</b>	<b>1,450,000.00</b>	<b>-128,993.18</b>	<b>1,541,867.39</b>
<b>Material expenses</b>				
Office expenses	189,707.25	200,000.00	-10,292.75	186,676.51
Travel expenses	425,442.12	450,000.00	-24,557.88	396,397.15
Expert fees/opinions	423,166.14	280,000.00	143,166.14	272,601.40
Audit companies	574,349.35	-	574,349.35	44,621.50
Reimbursements from audit companies	-574,349.35	-	-574,349.35	-42,934.35
Premises	1,955,462.54	1,950,000.00	5,462.54	1,982,624.88
Insurance	48,863.20	50,000.00	-1,136.80	48,831.80
IT costs	658,519.78	540,000.00	118,519.78	480,432.40
Public outreach	96,963.15	90,000.00	6,963.15	99,752.00
Events and representation	55,945.26	55,000.00	945.26	58,510.17
Membership fees for associations/institutions	194,854.19	290,000.00	-95,145.81	207,149.97
Audit expenses	49,317.65	50,000.00	-682.35	33,219.50
Other expenses	92,683.16	90,000.00	2,683.16	79,497.12
<b>Total material expenses</b>	<b>4,190,924.44</b>	<b>4,045,000.00</b>	<b>145,924.44</b>	<b>3,847,380.05</b>
<b>TOTAL EXPENSES</b>	<b>19,181,230.16</b>	<b>19,260,000.00</b>	<b>-78,769.84</b>	<b>19,333,912.19</b>
<b>Annual profit (allocated to reserves)</b>	<b>155,345.25</b>	<b>350,000.00</b>	<b>-194,654.75</b>	<b>-</b>
	<b>19,336,575.41</b>	<b>19,610,000.00</b>		<b>19,333,912.19</b>
<b>Income</b>				
Licensing fees	1,241,089.53	850,000.00	391,089.53	1,190,775.68
Supervisory fees	15,459,886.52	13,500,000.00	1,959,886.52	14,920,643.05
Audit fees	49,317.65	50,000.00	-682.35	33,219.50
Other fees	690,050.00	150,000.00	540,050.00	571,242.00
Other operational income	111,034.00	60,000.00	51,034.00	64,800.90
<b>Total income without state contribution</b>	<b>17,551,377.70</b>	<b>14,610,000.00</b>	<b>2,941,377.70</b>	<b>16,780,681.13</b>
State contribution	1,785,197.71	5,000,000.00	-3,214,802.29	2,524,856.17
<b>TOTAL INCOME</b>	<b>19,336,575.41</b>	<b>19,610,000.00</b>	<b>-273,424.59</b>	<b>19,305,537.30</b>
<b>Annual loss (dissolution of reserves)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,374.89</b>
	<b>19,336,575.41</b>	<b>19,610,000.00</b>		<b>19,333,912.19</b>

## Notes on the 2015 financial statement

### Financial accounting principles

According to article 32 of the FMA Act, the supplementary provisions for specific company forms set out in the Law on Persons and Companies (PGR) apply to the preparation of the business report (financial statement and annual report). The FMA uses the provisions for large companies in this regard. These provisions demand essentially that the financial statement give a true and fair view of the asset, financial, and income situation.

### Balancing and valuation methods

Tangible assets are valued at acquisition costs, reduced by depreciation. Depreciation is linear, based on the acquisition value. The depreciation guideline sets out the following durations of use:

Category	Duration of use
Software	3 years
IT equipment	3 years
Furnishings	5 years
Operating equipment	10 years

Figure 15 | Duration of use

Receivables are calculated at par value, minus any required value adjustments.

Provisions are to be calculated so as to take sufficient account of all recognizable risks according to a reasonable commercial assessment.

Accounts payable are valued at par value or at the repayment amount, whichever is higher.

### Foreign exchange rates

The FMA only invoices in CHF. Accounts payable in currencies other than CHF are booked at the applicable daily exchange rate, and carried-over accounts paid/received at the monthly average exchange rate for December as calculated by the Swiss Federal Tax Administration.

### Receivables

All receivables have a maturity of less than one year.

### Fixed assets

The development of the individual fixed asset items is presented separately in the assets analysis:

Tangible assets	Acquisition costs				Depreciation				Amortized value	
	Balance 01.01.2015	Acquisitions	Divestitures	Balance 31.12.2015	Balance 01.01.2015	Acquisitions	Divestitures	Balance 31.12.2015	Balance 01.01.2015	Balance 31.12.2015
Software	3,255,371.59	749,519.86	0.00	4,004,891.45	2,140,025.30	989,056.60	0.00	3,129,081.90	1,115,346.29	875,809.55
IT equipment	391,827.69	35,257.95	2,159.60	424,926.04	365,013.45	32,975.15	2,157.60	395,831.00	26,814.24	29,095.04
Furnishings	701,633.25	101,686.35	0.00	803,319.60	602,899.34	57,744.41	0.00	660,643.75	98,733.91	142,675.85
Operating equipment	1,731,428.55	0.00	0.00	1,731,428.55	791,745.05	173,142.85	0.00	964,887.90	939,683.50	766,540.65
<b>TOTAL</b>	<b>6,080,261.08</b>	<b>886,464.16</b>	<b>2,159.60</b>	<b>6,964,565.64</b>	<b>3,899,683.14</b>	<b>1,252,919.01</b>	<b>2,157.60</b>	<b>5,150,444.55</b>	<b>2,180,577.94</b>	<b>1,814,121.09</b>

Figure 16 | Assets analysis





*Mason's level*  
made of maple wood, with two cut-out triangles. A metal ball hangs on a cotton thread. Engraved circle patterns and carved profiles decorate the front side. The mason's level is used to determine and check vertical lines.  
(19th century)

### Provisions

As part of accounting under the Law on Persons and Companies (PGR), all provisions are reassessed each year, justified, and adjusted where necessary. The provisions include litigation risks in the amount of CHF 50,000 as well as accrued holiday entitlements as of 31 December 2015 in the amount of CHF 355,097.

### Accounts payable

All accounts payable by the FMA have a maturity of less than one year.

### Long-term liabilities

The FMA has a rental contract with the Liechtenstein Old Age and Survivors' Insurance Authority (AHV), concluded in December 2010, with a rental term of 20 years. The annual rent amounts to approximately CHF 1.8 million (including ancillary costs and renter investments, especially in security).

### Remuneration of the Board of Directors and Members of the Executive Board (article 1092 (9) (a) PGR)

#### a) Board of Directors

Remuneration for the Board of Directors of the FMA in the 2015 fiscal year, including social security contributions, was CHF 592,174. Dr. Ivo Furrer was elected effective 1 July 2011 as a Member of the Board of Directors of the FMA and Dr. Urs Philipp Roth-Cuony effective 1 January 2012 as the new Chairman of the Board of Directors for a term of five years. Two Members of the Board of Directors, Prof. Dr. Roland Müller and Dr. Michael Ritter, were re-elected by the Government in its meeting of 1 July 2014 for the term from 2015 to 2019. The new Member of the Board of Directors Jürg Meier was elected by the Government in its meeting of 15 December 2015 effective 1 January 2016 for a term of 5 years. He succeeds Bernhard Lampert, who resigned from the Board of Directors effective 31 August 2015.

In its decisions RA 2011/1264-0660 of 25 May 2011 and RA 2011/2351-0314 of 27 September 2011, the Government specified the following remuneration:

- Basic compensation for the Chairman
- Basic compensation for the Vice-Chairman
- Basic compensation for other Members
- Flat-rate compensation per meeting day

#### b) Executive Board

The gross remuneration of the Members of the Executive Board in the 2015 fiscal year was CHF 1,756,440 without social security contributions.

The Members of the Executive Board are appointed by the Board of Directors. The Executive Board was composed of the following Members as of 31 December 2015:

- Mario Gassner, Chief Executive Officer
- Dr. Alexander Imhof, Deputy of the CEO and Head of Insurance and Pension Funds Divisions
- Dr. Marcel Lötscher, Head of Securities Division
- Patrick Bont, Head of Banking Division and interim Head of Other Financial Intermediaries Division
- Martin Schädler, Head of Central Services

The Board of Directors decided to include the function of the Head of Central Services in the Executive Board effective 1 July 2015. With this decision, Martin Schädler was appointed as a Member of the Executive Board. Rolf Brüggemann, Head of the Banking Division, left the FMA effective 31 August 2015. The Board of Directors appointed Patrick Bont as the new Head of the Banking Division effective 1 December 2015. Until the position is filled, he will serve as Head of the Other Financial Intermediaries Division on an interim basis.

### Workforce

As of 31 December 2015, the FMA had a total of 77 employees (previous year: 83). The share of women was 39% (previous year: 36%). 14 employees worked part-time. During the reporting year, 8 employees left the FMA (previous year: 5), and 3 employees joined (previous year: 3). In total, the FMA had 71.9 full-time equivalents as of the end of 2015. The number of full-time equivalents authorized by the Board of Directors is 78.7.

Category	Persons	FTE
Permanent full-time	63	63.0
Permanent part-time	14	8.9
<b>TOTAL positions filled</b>	<b>77</b>	<b>71.9</b>
Temporary appointments	0	0.0
Workforce as of 31.12.2015	77	71.9
Vacant positions		6.8
<b>TOTAL FMA</b>	<b>77</b>	<b>78.7</b>
Interns	5	3.2

Figure 17  
Overview of workforce as of 31 December 2015



## Attestation of the National Audit Office



Bericht der Finanzkontrolle an die Regierung des Fürstentums Liechtenstein betreffend

### Finanzmarktaufsicht (FMA) Liechtenstein

Als Revisionsstelle im Sinne von Art. 19 des Gesetzes über die Finanzmarktaufsicht (FMAG) haben wir die Buchführung und die Jahresrechnung (Bilanz, Erfolgsrechnung und Anhang) der Finanzmarktaufsicht (FMA) Liechtenstein für das am 31. Dezember 2015 abgeschlossene Geschäftsjahr geprüft.

Für die Jahresrechnung ist der Aufsichtsrat verantwortlich, während unsere Aufgabe darin besteht, diese zu prüfen und zu beurteilen.

Unsere Prüfung erfolgte nach den Grundsätzen des Berufsstandes, wonach eine Prüfung so zu planen und durchzuführen ist, dass wesentliche Fehlaussagen in der Jahresrechnung mit angemessener Sicherheit erkannt werden. Wir prüften die Posten und Angaben der Jahresrechnung mittels Analysen und Erhebungen auf der Basis von Stichproben. Ferner beurteilten wir die Anwendung der massgebenden Rechnungslegungsgrundsätze, die wesentlichen Bewertungsentscheide sowie die Darstellung der Jahresrechnung als Ganzes. Wir sind der Auffassung, dass unsere Prüfung eine ausreichende Grundlage für unser Urteil bildet.

Gemäss unserer Beurteilung vermittelt die Jahresrechnung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage in Übereinstimmung mit dem liechtensteinischen Gesetz. Ferner entsprechen die Buchführung und die Jahresrechnung dem liechtensteinischen Gesetz, dem Gesetz über die Finanzmarktaufsicht (FMAG) und den Statuten.

Der Jahresbericht steht im Einklang mit der Jahresrechnung.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

FINANZKONTROLLE  
des Fürstentums Liechtenstein

  
Cornelia Lang  
Leiterin

  
Fredy Baschleben  
Mandatsleiter

Vaduz, 14. März 2016



Development  
of workforce

Changes/  
Promotions

Staff makeup

Nationalities

### Development of the workforce

---

As of 31 December 2015, the FMA had a total of 77 employees (previous year: 83). The share of women was 39% (previous year: 36%). 14 employees worked part-time. During the reporting year, 8 employees left the FMA (previous year: 5), and 3 employees joined (previous year: 3). In total, the FMA had 71.9 full-time equivalents as of the end of 2015. The number of full-time equivalents authorized by the Board of Directors is 78.7.

The FMA offers tertiary students and recent graduates the opportunity to intern at the FMA. As of 31 December 2015, 5 interns (3.2 FTE) worked at the FMA. In general, the internships are in the legal field, with a duration between six and 12 months. Over the summer, an additional 4 summer interns worked for a period of four to nine weeks in various fields.

### Changes/Promotions

---

The Board of Directors decided to include the function of the Head of Central Services in the Executive Board effective 1 July 2015. With this decision, Martin Schädler was appointed as a Member of the Executive Board. Rolf Brüggemann, former Head of the Banking Division, left the FMA effective the end of August. Patrick Bont, who previously served as Head of the Other Financial Intermediaries Division, was appointed as his successor effective 1 December 2015.

Effective 1 January 2015, Philipp Fuchs switched from the Banking Division into the position of Head of the Legal Section in the Insurance and Pension Funds Division. Sabrina Banzer was promoted to Head of Reception within the Central Services Staff Unit effective 1 February 2015. After the departure of Christoph Weder effective 30 September 2015, Claudio Concin was appointed as interim Head of the Legal Section in the Securities Division. Martin Risch, former Head of the Supervision Section in the Banking Division, left the FMA effective the end of October. Markus Meier will succeed him effective 1 February 2016.

### Staff makeup

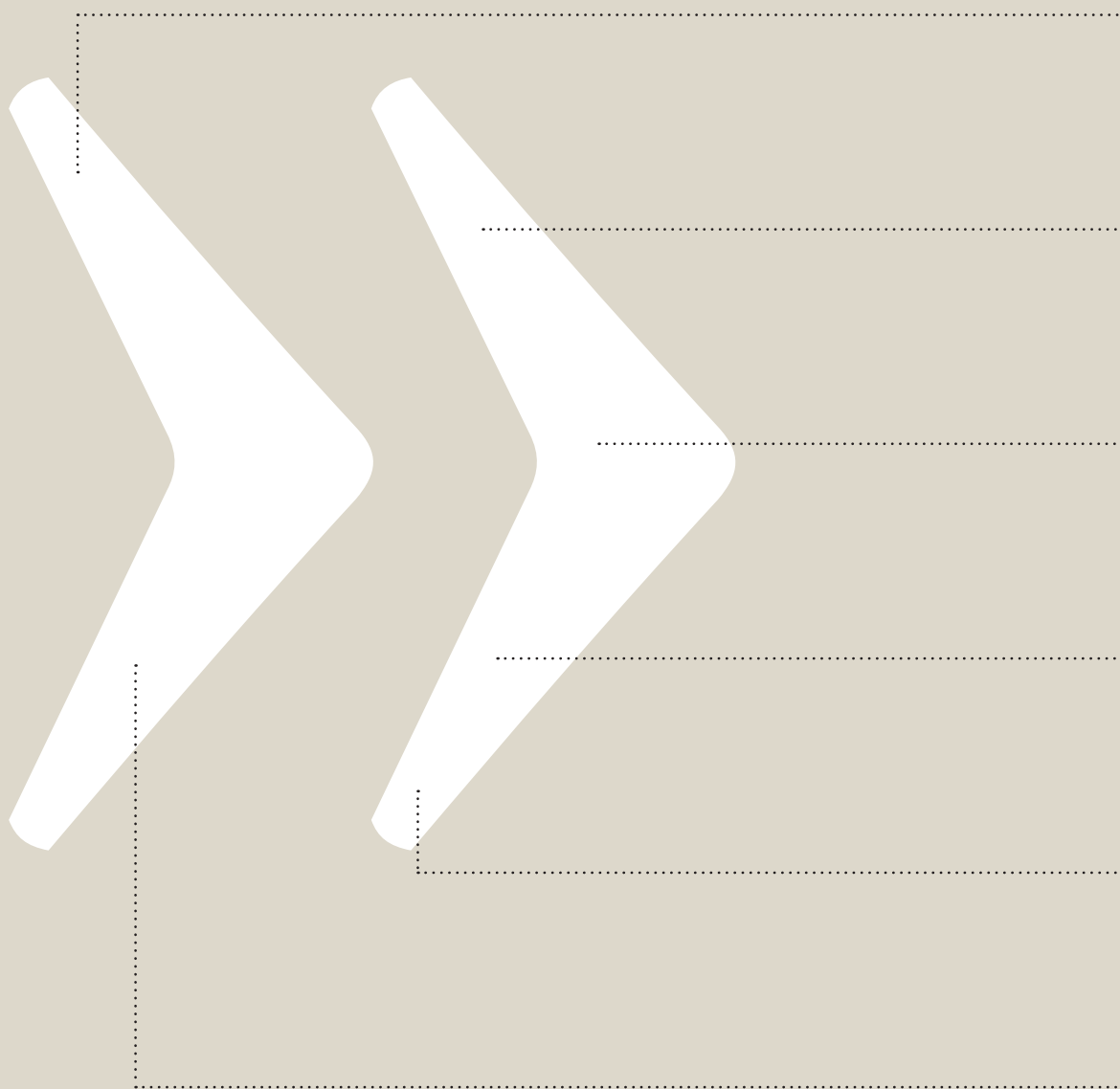
---

The staff are made up of 52% lawyers and 17% economists; 14% are specialists such as auditors, banking experts, and actuaries. 17% of employees are officers or have a different educational background.

### Nationalities

---

22% of employees are Liechtenstein citizens, 27% Swiss citizens, 37% Austrian citizens, and 13% German citizens. 1 employee is a Spanish citizen. The FMA strives to employ as many Liechtenstein citizens as possible.





..... Financial market participants supervised by the FMA

..... Financial market participants supervised by the FMA  
under the free movement of services

..... Laws subject to supervision and enforcement by the FMA

..... Organizational chart

..... Governing bodies

..... Abbreviations

## Financial market participants supervised by the FMA

	2011	2012	2013	2014	2015
<b>Banking Division</b>					
Banks	17	17	17	17	16
Investment firms	0	0	0	1	1
Payment institutions	0	0	0	0	0
Liechtenstein Postal Service	1	1	1	1	1
Audit offices pursuant to the Banking Act	7	6	5	5	5
E-money institutions		1	1	1	2
<b>Insurance and Pension Funds Division</b>					
Insurance undertakings	40	41	42	42	41
Audit offices pursuant to the ISA	11	12	12	12	12
Insurance intermediaries	68	65	66	65	69
Pension schemes	29	29	24	24	23
Audit offices pursuant to the OPA	14	14	15	15	15
Pension insurance experts pursuant to the OPA	13	14	15	16	16
Pension funds	6	6	6	5	5
<b>Securities Division</b>					
Asset management companies	107	109	119	121	117
Management companies	22	20	20	18	16
Domestic investment undertakings/funds	535	557	549	532	510
Domestic subfunds/segments	785	791	779	735	714
Foreign investment undertakings with third-country marketing authorization	84	82	46	38	42
Audit offices under the IUA	10	10	12	9	9
Entitled to market units pursuant to the IUA	13	13	12	12	12
<b>Other Financial Intermediaries Division</b>					
Professional trustees	79	70	65	76	115
Professional trustees with restricted licence	21	21	21	29	28
Trust companies	263	259	254	251	263
Trust companies with restricted licence	29	28	26	24	28
Auditors <sup>1)</sup>	23	33	35	37	37
Auditors established in Liechtenstein <sup>1)</sup>	0	3	4	4	4
Audit companies <sup>1)</sup>	24	24	26	26	28
Patent lawyers	9	8	8	9	7
Patent law firms	3	3	3	3	3
Persons with an entitlement under article 180a PGR <sup>2)</sup>	533	535	518	2	0
Persons with a licence under the 180a Act <sup>2)</sup>				230	226

1) Information based on the auditor register pursuant to article 6b AACA

2) Due to legislative changes, the 2014 data cannot be compared with the data of the previous years, or equivalent data from previous years is not available

Figure 18  
Financial market participants supervised  
by the FMA as of 31 December 2015

## Financial market participants supervised by the FMA under the free movement of services

	2011	2012	2013	2014	2015
<b>Banking Division</b>					
Free movement of services of EEA banks	199	203	196	211	218
Free movement of services of EEA investment firms	1946	2148	1720	1779	1865
Free movement of services of EEA payment institutions	72	112	170	197	252
Free movement of services of e-money institutions	7	13	31	37	58
Free movement of services of EEA regulated markets	16	16	16	16	16
Branches of EEA investment firms	0	1	2	2	2
<b>Insurance and Pension Funds Division</b>					
Free movement of services of EEA and Swiss insurers	267	287	364	358	355
Branches of Swiss insurers	22	17	9	10	10
Branches of EEA insurers	1	1	2	1	4
<b>Securities Division</b>					
Free movement of services of EEA investment undertakings	175	157	110	109	118
Free movement of services of EEA management companies	9	10	10	11	13
<b>Other Financial Intermediaries Division</b>					
Auditors engaging in free movement of services <sup>1)</sup>	9	37	43	42	40
Audit companies engaging in free movement of services <sup>1)</sup>	22	22	22	20	18

1) Information based on the auditor register pursuant to article 6b AACA

Figure 19  
Financial market participants supervised by  
the FMA under the free movement of services  
as of 31 December 2015

### Laws subject to supervision and enforcement by the FMA as of 31 December 2015

---

- 1 Law on Banks and Investment Firms (Banking Act)
- 2 E-Money Act
- 3 Law on the Liechtensteinische Landesbank
- 4 Payment Services Act (PSA)
- 5 Law on Settlement Finality in Payment and Securities Settlement System (Settlement Finality Act; SFA)
- 6 Law on the Disclosure of Information concerning the Issuers of Securities (Disclosure Act)
- 7 Securities Prospectus Act (SPA)
- 8 Alternative Investment Fund Managers Act (AIFM Act)
- 9 Law on Investment Undertakings for Other Values or Real Estate (Investment Undertakings Act; IUA)
- 10 Law on the Liechtenstein Postal Service (Postal Act)
- 11 Professional Trustees Act (PTA)
- 12 Auditors and Audit Companies Act (AACCA)
- 13 Patent Lawyers Act (PLA)
- 14 Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act)
- 15 Law on the Supervision of Insurance Undertakings (Insurance Supervision Act; ISA)
- 16 Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act; DDA)
- 17 Occupational Pensions Act (OPA)
- 18 Law on Insurance Protection of Buildings against Fire Damage and Damage from Natural Hazards (Building Insurance Act; BIA)
- 19 Asset Management Act (AMA)
- 20 Insurance Mediation Act (IMA)
- 21 Law on the Supervision of Institutions for Occupational Retirement Provision (Pension Funds Act; PFA)
- 22 Law against Market Abuse in the Trading of Financial Instruments (Market Abuse Act; MAA)
- 23 Law on Takeover Bids (Takeover Act)
- 24 Law on the Supplementary Supervision of Undertakings of a Financial Conglomerate (Financial Conglomerates Act; FCA)
- 25 Law on Occupational Pensions of the State (State Pensions Act)
- 26 Law on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act)

Organizational chart as of 31 December 2015

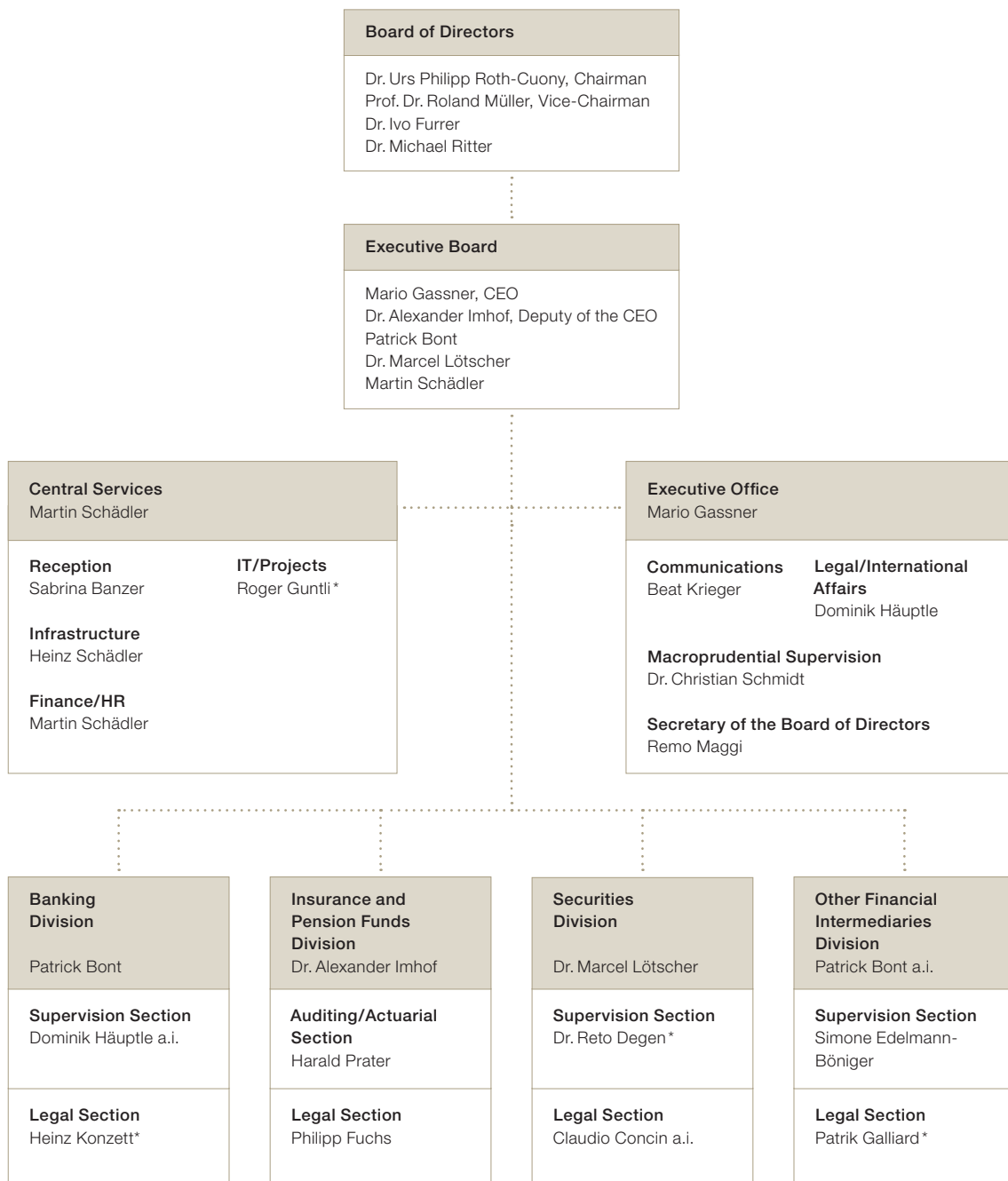


Figure 20  
Organizational chart

\* Deputy Head of Division or Staff Unit

### Governing bodies of the FMA as of 31 December 2015

Pursuant to article 6 of the FMA Act, the governing bodies of the FMA are:

- a) the Board of Directors,
- b) the Executive Board,
- c) the Audit Office.

Board of Directors	
<p><b>Chairman</b> Dr. Urs Philipp Roth-Cuony, Zug, elected from 2012 to 2016</p> <p><b>Vice-Chairman</b> Prof. Dr. Roland Müller, Staad, elected from 2010 to 2014 and from 2015 to 2019</p>	<p><b>Members</b> Dr. Ivo Furrer, Winterthur, elected from 1 July 2011 to 30 June 2016 Dr. Michael Ritter, Eschen, elected from 2010 to 2014 and from 2015 to 2019</p>
Executive Board	
<p><b>Chief Executive Officer</b> Mario Gassner, Triesenberg</p> <p><b>Deputy of the CEO and Head of Insurance and Pension Funds Division</b> Dr. Alexander Imhof, Schaan</p>	<p><b>Head of Banking Division</b> <b>Head of Other Financial Intermediaries Division</b> Patrick Bont, Niederteufen</p> <p><b>Head of Securities Division</b> Dr. Marcel Lötscher, Baden</p> <p><b>Head of Central Services</b> Martin Schädler, Triesenberg</p>
Audit Office	
<p>Applying article 19(4) of the Financial Market Authority Act, the Government transferred the function of Audit Office to the National Audit Office by its decision of 2 March 2010 (RA 2010/463). The responsibilities of the Audit Office are in principle governed by the specific provisions relating to the National Audit Office.</p> <p>The National Audit Office performs this function until the Government decides otherwise.</p>	

Figure 21  
Governing bodies of the FMA

## Abbreviations

---

For laws, see Annex “Laws subject to supervision and enforcement by the FMA” (p. 100)

AHV	Old Age and Survivors' Insurance Authority (Alters- und Hinterlassenenversicherung)
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AMC	Asset Management Company
AMLC	Anti-Money Laundering Committee
AuM	Assets under Management
BRRD	Bank Recovery and Resolution Directive
CPMLTF	Committee on the Prevention of Money Laundering and Terrorist Financing
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DMS	Document Management System
EAIG	European Audit Inspection Group
EBA	European Banking Authority
EC	European Community
ECB	European Central Bank
ECG	Enlarged Contact Group on the Supervision of Collective Investment Funds
ECHR	European Convention on Human Rights
EEA	European Economic Area
EFTA	European Free Trade Association
EGMLTF	Expert Group on Money Laundering and Terrorist Financing
EIOPA	European Insurance and Occupational Pensions Authority
ELTIF	European Long-Term Investment Fund
EMIR	European Market Infrastructure Regulation
ESAs	European Supervisory Authorities
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EuVECA	Regulation on European Venture Capital Funds
EuSEF	Regulation on European Social Entrepreneurship Funds
FAOA	Swiss Federal Audit Oversight Authority
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FINMA	Swiss Financial Market Supervisory Authority
FIU	Financial Intelligence Unit
FMA-CC	FMA Complaints Commission
FSRBs	FATF-style Regional Bodies
GzA	Swiss Principles for Statutory Audits

IAIS	International Association of Insurance Supervisors
IFIAR	International Forum of Independent Audit Regulators
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organization of Securities Commissions
ISQC	International Standard on Quality Control
IU	Investment Undertaking (Fund)
IUQA	Investment Undertaking for Qualified Investors
LAFV	Liechtenstein Investment Fund Association
LEI	Legal Entity Identifier
LPKV	Liechtenstein Pension Fund Association
MAD	Market Abuse Directive
MC	Management Company
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMoU	Multilateral Memorandum of Understanding
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MoU	Memorandum of Understanding
NAV	Net Asset Value
PEP	Politically Exposed Person
PRIPs	Packaged Retail Investment Products
PVS	Pension Insurance for State Employees
SIFA	Office for International Financial Affairs
SNB	Swiss National Bank
SPL	Liechtenstein Occupational Pensions Foundation
StGH	Constitutional Court
UCITS	Undertakings for Collective Investment in Transferable Securities
VuVL	Association of Independent Asset Managers
WPV	Liechtenstein Association of Auditors



## Traditional crafts

---

Crafts have a long tradition in Liechtenstein. Artistically manufactured tools, instruments, and equipment were used for this purpose. For this Annual Report, the photographer Sven Beham in cooperation with the Liechtenstein National Museum has presented a selection of these devices in the best light. The FMA would like to thank the Liechtenstein National Museum ([www.landesmuseum.li](http://www.landesmuseum.li)) for its generous support in realizing this concept.

---

### **Publisher and Editor**

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

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

[info@fma-li.li](mailto:info@fma-li.li)  
[www.fma-li.li](http://www.fma-li.li)

### **Concept and Design**

Leone Ming, Intensive Brand, Schaan

### **Photo Concept**

Sven D. Beham, Ruggell

The objects were made available by the Liechtenstein National Museum.

The Annual Report is available in German and English on the FMA website. No printed version is published.

