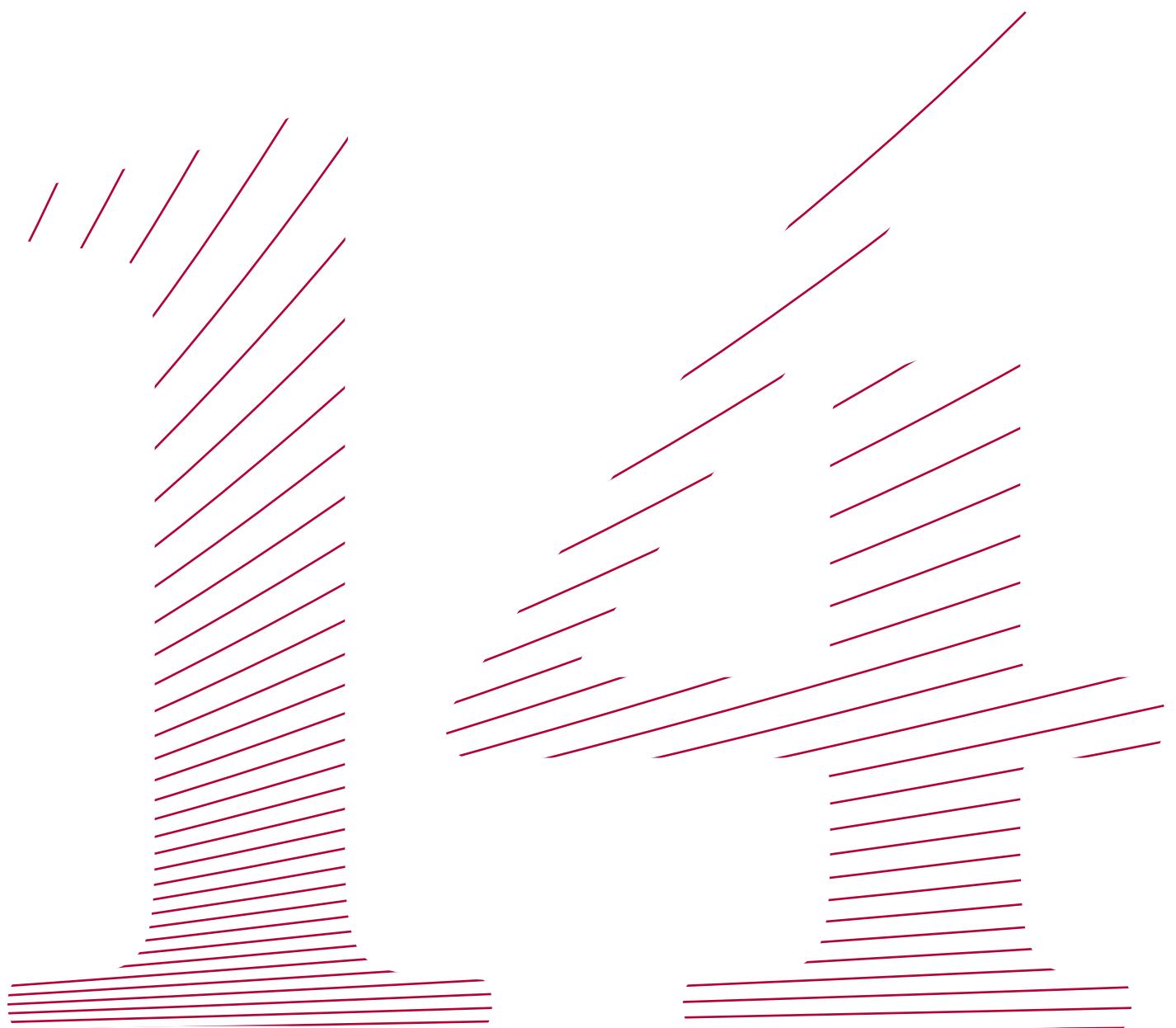




Financial Market Authority  
Liechtenstein



Annual Report 2014



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**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

## 10 years of the FMA Liechtenstein

On 1 January 2005, the FMA Liechtenstein began operations as an independent and integrated supervisory authority. With the creation of the FMA, Liechtenstein followed international developments and took an important step toward the international integration of the financial centre. Over the past ten years, the supervisory environment has changed substantially. The global and European standards for the supervision of financial service providers have become increasingly strict. Especially the financial crisis in 2008 triggered a strong regulatory surge that increasingly enhanced the demands on the FMA. The FMA has kept up with the changes to the supervisory landscape. Liechtenstein has an internationally recognized supervisory authority at its disposal that provides credible supervision for the strongly diversified financial centre in accordance with international standards, thus helping to strengthen the financial centre's reputation.

This is no simple task. The FMA must meet the same demands on supervision of market participants as its European counterparts do with considerably larger financial centres. The FMA does not benefit from economies of scale, and the burdens are distributed proportionally among fewer market participants. That Liechtenstein nevertheless has a supervisory authority that keeps up with the times is possible only thanks to the foresight and continuous support by the public and private sector. This achievement deserves recognition and respect.

## Activities of the Board of Directors

The Board of Directors met for ten regular meetings. The Chief Executive Officer also takes part in these meetings. In addition to the regular meetings, a Strategy Day took place in July with the participation

of the Executive Board. The Strategy Day serves to review and adjust the strategic goals and to discuss trends in the financial sector and supervision.

In the reporting year, the Board of Directors intensified its international relations. Especially during the transformation phase of the financial centre, the Board of Directors attaches great importance to this. As a supervisory authority, the FMA is in the right position to represent Liechtenstein's financial centre strategy to the outside world at a high level, to strengthen knowledge and trust regarding the financial centre, and to demonstrate its attractiveness. In the reporting year, meetings took place with representatives of public authorities, politics, and business in Berlin, Frankfurt, and Singapore. Alongside its own contacts, the FMA also drew on the network of Liechtenstein embassies and honorary consulates and made use of their services. On these visits, the FMA is represented by the Chairman of the Board of Directors and the Chief Executive Officer.

At the national level, exchanges were intensified with the business associations. Regular meetings between the FMA leadership and the associations serve to discuss the numerous regulatory and supervisory topics and to approach them in a solution-oriented way.

The Chairman of the Board of Directors is also the chair of the Expert Group on Financial Stability appointed by the Government, which consists of representatives of the public authorities and of market participants. The Expert Group's mandate is to monitor the stability of the Liechtenstein financial centre and to develop preventive measures to safeguard that stability. In the reporting year, the Expert Group concerned itself primarily with the "too big to fail" problem and the implementation of the European banking regulations.

## Safeguarding stability

During the reporting year, Liechtenstein transposed the CRD IV package of the European Union into national law. The revised banking legislation is intended to ensure better capital adequacy of the financial institutions in quantitative and especially qualitative terms, thereby strengthening the stability of the banking system. The reform package contains extensive provisions for the improvement of capital and liquidity requirements, bank-internal capital policy, corporate governance, penalties, and supervisory cooperation. The revision requires a substantial redesign of the FMA's supervisory processes as well as extensive adjustments by the banks.

With the transposition of the EU directive on the recovery and resolution of financial institutions into national law, a further regulatory project is underway that must be considered in the overall context of safeguarding stability and client protection in the banking sector. The goal of the new regulation is to establish a uniform framework throughout Europe for the crisis management of banks and investment firms. Liechtenstein and its financial centre enjoy a high level of financial stability. The State of Liechtenstein has a AAA rating from Standard & Poor's, and the financial institutions have above-average capitalization compared with their international counterparts.

The new capital and supervisory system Solvency II is intended to make the insurance sector more secure as well. The work on implementation of the EU directive in Liechtenstein is progressing as planned.

## Cross-border risks

Liechtenstein's financial intermediaries mainly operate across borders, entailing significant legal and reputation risks. The Board of Directors therefore

attaches great importance to how financial intermediaries deal with risks arising from the cross-border provision of services. In the reporting year, the FMA discussed this topic intensively with the industry and professional associations. As part of risk management, the management of each company must ensure that all risks relating to foreign law are dealt with in an appropriate and responsible way. The cross-industry discussion is intended to promote and establish a uniform approach to dealing with these risks in the financial centre.

## Provision of administrative assistance

By providing administrative assistance to foreign authorities, the FMA makes an important contribution to investigating and solving international cases of market abuse. However, the Constitutional Court has found parts of the legislative basis for providing administrative assistance in the Financial Market Authority Act to be unconstitutional. So that the FMA can provide administrative assistance without interruption in accordance with international standards, the new legal provisions on administrative assistance must enter into force by December 2015. Providing administrative assistance in accordance with international standards is of the utmost importance for the international market access of financial intermediaries and the integration of the FMA.

## Risk management

The FMA's risk management was further optimized in 2014. New software was implemented for the administration of the internal control system. The FMA also worked to optimize harmonization among the individual monitoring instruments. As a supervisory authority, the FMA is exposed to multitudinous risks, and the Board of Directors accordingly attaches great importance to this issue.

### Election of the Board of Directors

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On 1 July 2014, the Government reappointed the Board of Directors of the FMA Liechtenstein for the 2015 – 2019 term. Vice-Chairman Prof. Dr. Roland Müller, Bernhard Lampert, and Dr. Michael Ritter were elected for a second term of five years from 1 January 2015 to 31 December 2019. Dr. Urs Philipp Roth-Cuony, Chairman of the Board of Directors, was elected for a term from 1 January 2012 to 31 December 2016 and Dr. Ivo Furrer from 1 July 2011 to 30 June 2016.

### Occupational pensions

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The Liechtenstein Occupational Pensions Foundation (Stiftung Personalvorsorge Liechtenstein, SPL) commenced its insurance activities on 1 July 2014 as the legal successor of the Pension Insurance for State Employees. As an enterprise under public law, the FMA is a member of the SPL. Alongside the financial restructuring of the pension scheme, the switch from defined benefits to defined contributions was completed. Occupational pensions are an important factor for the attractiveness of the FMA as an employer.

### 2014 financial statement

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The total expenses of the FMA were CHF 19.33 million in 2014. Income from supervisory taxes and fees was CHF 16.78 million, CHF 2.05 million higher than budgeted. Due to this surplus income and the fact that the FMA's maximum reserve amount was reached, the State contribution to the FMA was CHF 2.52 million instead of the budgeted CHF 5 million. Conversely, the State is required to make an additional contribution to the FMA if the FMA's reserves fall below the minimum amount set out by law.



Mario Gassner  
Chief Executive Officer

## Supervision

The FMA's scope of responsibility was expanded considerably effective 1 January 2014 with its increased supervision of the professional trustee sector and its supervision of persons under article 180a of the Law on Persons and Companies (PGR). The experience of the past year shows that the legislative basis is balanced, efficient, and suitable for strengthening trust in these sectors and promoting their international recognition.

In the reporting year, the European Supervisory Authorities (ESAs) performed several peer reviews on site in Liechtenstein to audit the FMA's compliance with European requirements. These peer reviews entail a major use of resources by the FMA. For the ESAs, they are an important control instrument to verify compliance with supervisory standards by the national supervisory authorities.

With the establishment of the Liechtenstein Occupational Pensions Foundation (Stiftung Personalvorsorge Liechtenstein, SPL) and the restructuring measures, the State's occupational pension system was given a new, sustainable basis. The SPL began operations on 1 July 2014 as the legal successor of the Pension Insurance for State Employees (Pensionsversicherung für das Staatpersonal, PVS). The FMA closely supervised this transition and the development of the financial situation.

In December 2014, the Criminal Court reached a guilty verdict in a case of serious fraud. A statement of facts by the FMA had led to the commencement of investigations by the Office of the Public Prosecutor. This statement of facts was made possible by reports from third parties. These reports indicated that activities subject to a licence were being carried out illegally, along with other conduct relevant to criminal law.

The case was a good example of the importance of information from the public to the FMA's efforts to combat abuse and protect clients. The FMA therefore always accepts and reviews information indicating abuse in the domain of financial services.

At the end of 2014, the FMA published its Audit Guideline. The Audit Guideline sets out audit standards that must be met by external auditors when auditing and reporting on financial service providers. The requirements improve the quality of audits and thus of client protection. Selected external auditors were also accompanied by the FMA during their audit activities. This measure likewise contributes to the uniform interpretation of the legal requirements. The Audit Guideline follows the principles of risk-based supervision. Risk-based supervision focuses on risks that may entail considerable damage to the financial centre or to clients of the financial service providers.

In the reporting year, the FMA issued a licence to the first investment firm subject to the Banking Act. Due to the company's activities in high-frequency trading, the FMA established a supervisory system for that purpose and worked together with the foreign authorities in defining the various supervision responsibilities.

## Regulation

On behalf of the Government, the FMA worked intensively during the reporting year on the revision of banking legislation, which will enter into force at the beginning of February 2015. The new provisions under Basel III require banking institutions and the FMA to undertake extensive adjustment processes. Part of the new legislation is, according to the European requirements, a heavily expanded and detailed framework for penalizing violations. Effective penalties in the event of violations are an

## EXECUTIVE BOARD

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important instrument for the supervisory authority in the performance of its duties. The existence of these penalties also has a preventive effect with positive consequences for the financial centre's reputation. The penalty provisions will increasingly also be expanded to include other sectors such as insurance and funds, in order to achieve harmonization of financial market regulation in the European single market.

The insurance sector must prepare for completely new supervision legislation. In the autumn, the second round of consultations took place on transposition of the EU Solvency II Directive into national law. Guidelines to prepare for the new solvency regime already entered into effect at the beginning of 2014. The new insurance supervision legislation will enter into force at the beginning of 2016.

On behalf of the Government, the FMA worked during the reporting year on a consultation draft for the revision of the Occupational Pensions Act. Because of the major changes in the pension environment and the need for equivalence of the Liechtenstein legal framework with that of Switzerland, a revision has become necessary.

The number of regulatory projects relating to the financial market continues to be high. With the recast Markets in Financial Instruments Directive (MiFID II), the recast Market Abuse Directive (MAD II), and other regulations relating to market/trading, further extensive projects are under development.

During the reporting year, political agreement was reached on the outstanding incorporation of the EU regulations on the European Supervisory Authorities into the EEA Agreement. As a next step, the technical

implementation details must be agreed between the EEA/EFTA countries of Norway, Iceland, and Liechtenstein and the European Commission.

### External relations

The FMA further strengthened its international cooperation. In the field of auditing, the FMA joined the European Audit Inspection Group (EAIG) as a member. The core element of this cooperation is the analysis of the findings in quality controls carried out by the member audit authorities. The FMA concluded a cooperation agreement relating to cross-border fund distribution with the Swiss Financial Market Supervisory Authority (FINMA) and an agreement on the supervision of banks, investment firms, and professional trustees with the British Virgin Islands Financial Services Commission (BVIFSC).

Combating money laundering enjoys high priority in the FMA's supervisory work. The FMA monitors compliance with the due diligence obligations applicable to financial intermediaries. In July, the IMF and the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ( MONEYVAL ) published their country report for the fourth evaluation round. The report gave Liechtenstein positive marks in its measures to combat money laundering and financing of terrorism. Liechtenstein must now address the remaining recommendations swiftly.

In light of the upcoming revision of the legislation governing occupational pensions, the Ministry for Home Affairs, Justice and Economic Affairs organized a public event in cooperation with the FMA. Renowned experts discussed trends and the actions required to ensure a secure and sustainable occupational pension system ("second pillar").

Cooperation with the University of Liechtenstein was further intensified in the reporting year; for instance, a Compliance Officer certificate programme was jointly established. In cooperation with the Institute for Financial Services, the FMA also held an international conference on Islamic Financial Services and Sustainability. In the field of religion-based and sustainable investments, the FMA and the University of Liechtenstein recognize the potential for product and service offerings.

At the beginning of 2014, the FMA held a public event on a uniform European insurance contract law. The FMA made use of the fact that European insurance experts were meeting in Liechtenstein and thus were already on site. Uniform contract law would facilitate the cross-border business of Liechtenstein insurance undertakings.

#### **Enterprise and team**

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At the end of the year, the FMA had 83 employees. Five employees left the FMA during the reporting period. Fluctuation was thus low, and even lower than in the previous year. At the end of 2014, a project to update and integrate the existing personnel management was launched. High employer attractiveness is of crucial strategic importance to the FMA in order to recruit qualified personnel and retain it over the long term.

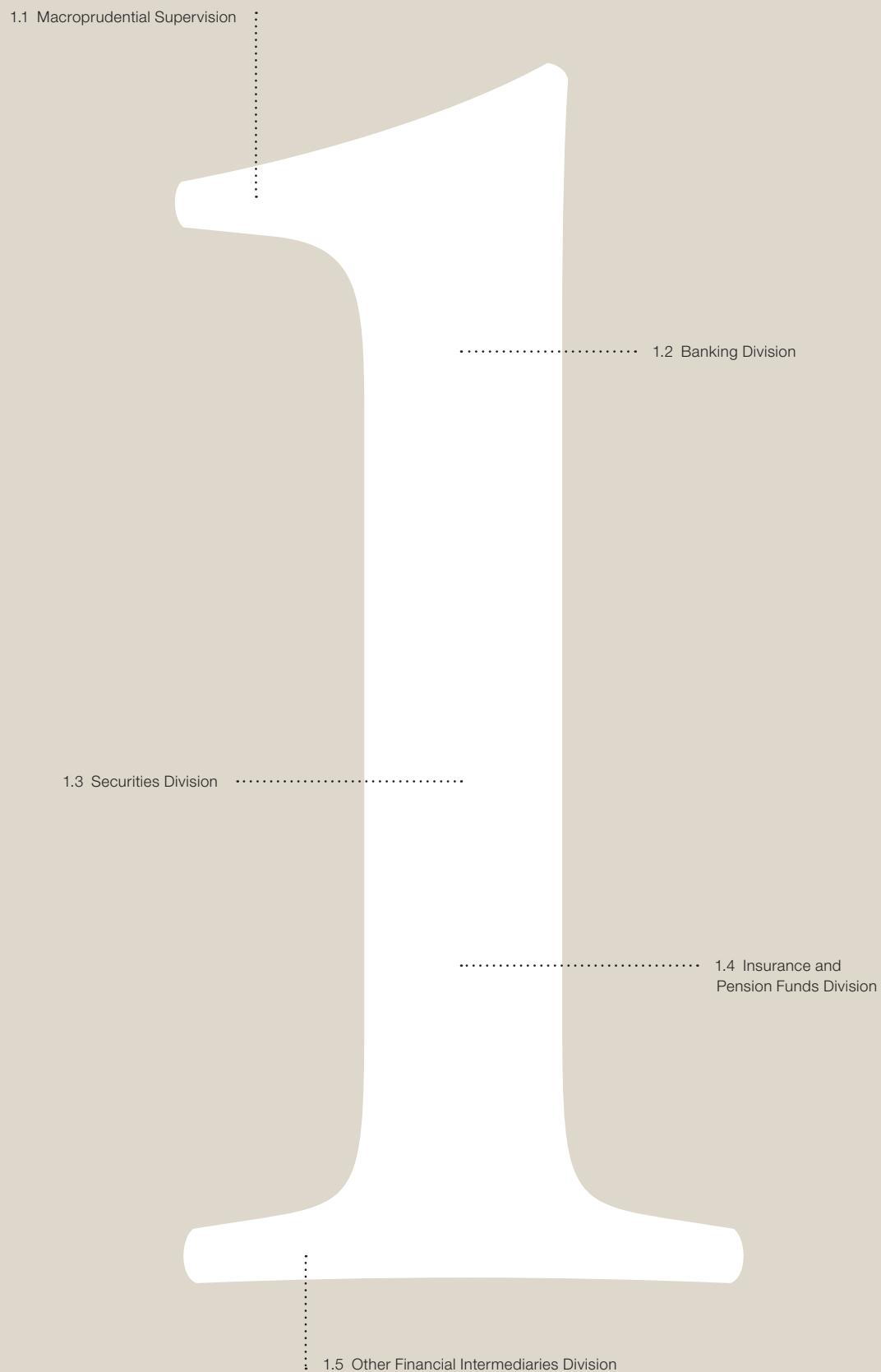
The FMA is meeting the increasing demands on supervisory work with its ongoing review and implementation of efficiency and effectiveness improvements. The focus is on implementing modern IT systems and making use of the synergies of an integrated supervisory authority. Potential also lies in international

knowledge management. The internal training offerings were expanded in the reporting year, with a focus on due diligence law and legislative drafting.

The new legislative provisions on FMA funding were applied for the first time during the reporting year. The new funding model has proven itself in practice. It is more efficient and easier to apply than the previous model, but it did entail major start-up efforts. The goals were long-term security of the FMA's funding, transparent design, foreseeability and calculability of the specific supervisory tax burden for each financial intermediary, and constitutionality of the provisions.

# SUPERVISION

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## 1.1 Macroprudential Supervision

Macroprudential Supervision is a 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.

The task of Macroprudential Supervision is to identify systemic risks in order to prevent them before they occur or to mitigate their consequences. The tools at the disposal of the FMA for this purpose are warnings and recommendations that are brought to the attention of the Executive Board. The supervisory divisions comment on those warnings or recommendations, and the Executive Board decides – where appropriate after consulting the Board of Directors – on measures to mitigate the identified risks.

The theoretical foundation of Macroprudential Supervision rests on externalities. Externalities arise through (i) the tendency of the financial system to magnify negative macroeconomic shocks; (ii) macroeconomic-financial feedback mechanisms leading to the susceptibility of the system to such shocks; (iii) interrelationships within the financial system that increase the vulnerability of the system to specific or macroeconomic shocks.

The economic and social costs of financial crises are high. Financial crises have repeatedly occurred in the past, leading to high GDP losses of the affected countries. Macroprudential policy aims to reduce the probability and impact of such crises. The returns of

this policy – as is the case for every form of supervision – are accrued over time, while the costs for their implementation are due immediately. This leads to a tendency toward inaction, which must be countered by an effective framework including immediate and efficient reactions of policymakers and supervisory authorities when risks to financial stability arise.

### Ongoing supervision

In its Macroprudential Supervision, the FMA relies on reports submitted through regular reporting channels, 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, four 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, four reports on the macroeconomic development and on the development of the financial markets were prepared. 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 in the Eurozone, Switzerland, and Liechtenstein.

As part of Macroprudential Supervision, the FMA dealt with systemic risks, including risks that may arise for insurers and pension schemes due to the persistently low interest rate level as well as risks relating to the real estate and mortgage market.

## Priority areas

During the reporting year, Macroprudential Supervision revised its analysis methods. A system was developed to evaluate and categorize the most important risks. This system is based on the principles developed by the European Systemic Risk Board (ESRB) and the European Supervisory Authorities. It is described and analysed within the framework of quarterly reporting.

### 1.2 Banking Division

#### 1.2.1 Licences

Various enquiries for establishing a bank, investment firm, or payment or e-money institution were addressed to the FMA during the reporting year. 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. These discussions resulted in several preliminary applications and applications for establishing e-money institutions, which were considered and concluded at the beginning of 2015.

In its decree dated 5 June 2014, the FMA issued a licence to Timber Hill (Liechtenstein) AG as an investment firm. This is the first investment firm to be established under the Banking Act in Liechtenstein.

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

In its supervision of banks and investment firms under the dualistic supervision system, the FMA relies predominantly on on-site inspections and reports by external auditors. Nevertheless, the FMA increasingly carries out its own audit activities at the financial intermediaries. Selected divisions of the banks are audited on site. The analysis of audit reports under the Banking Act as of 31 December 2013 indicated that external auditors found a total of 30 deficiencies, mainly in regard to reporting, the internal control system, and cross-border business. These are 11 deficiencies more than in the previous year.

### 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. By accompanying the audits, the FMA also promoted uniform interpretation of the legislative requirements.

As a further measure to improve the quality of audits, the FMA has further specified the requirements for audits pursuant to special legislation in its Audit Guideline. The Audit Guideline sets out the audit standards that must be met by the external auditors pursuant to special legislation in their audits and reports. The Audit Guideline entered into effect on 31 December 2014. It must be applied for the first time to audits and reports on financial intermediaries whose business year ends after 31 December 2014.

## Auditor workshops

The annual bank auditor workshop took place in May. Topics included the mortgage business, the Audit Guideline, implementation of the CRD IV package, and the FMA Communication on Guarantee of Proper Business Conduct.

## Management meetings

With each bank, the FMA conducted a management meeting, in which a member of the general management and a member of the board of directors of the bank took part. Focus areas were the business development of the bank, cross-border risks in the regulatory and tax fields, implementation of the Capital Requirements Directive IV (CRD IV), the Capital Requirements Regulation (CRR), the Bank Recovery

and Resolution Directive (BRRD), the Markets in Financial Instruments Directive II (MiFID II), the peer reviews of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), and the progress made by the Working Group on Systemic Stability.

## Inspections under the Due Diligence Act

Pursuant to the Due Diligence Act (DDA), regular inspections on behalf of the FMA are carried out by the external auditors. The number of deficiencies fell from 36 in the previous year to 33. In this area as well, the FMA carries out its own risk-based inspections.

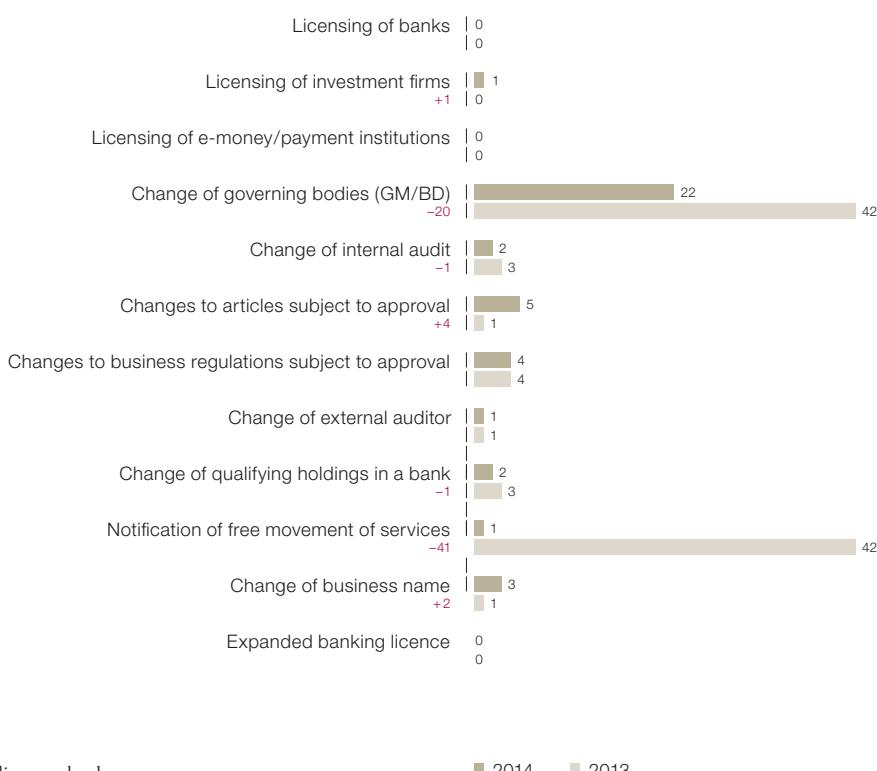


Figure 1  
Changes to licences, banks

■ 2014 ■ 2013

## Reporting

The risk assessment process is based substantially on regular reporting. On the basis of the reports submitted, it can continue to be assumed that the Liechtenstein banking institutions enjoy a stable situation in terms of capital adequacy and liquidity. Most of the institutions already meet the Basel III requirements. The banks exhibit good reporting discipline. Despite the numerous reporting requirements, only seven warnings were issued by the FMA in the reporting year, along with six clarifications.

In order to recognize overheating of the markets at an early stage, the FMA observes the development of the real estate markets in Liechtenstein and the neighbouring countries and evaluates the reports submitted by the institutions. The FMA pays special attention to the development of real estate financing in certain geographical markets, but also to the development of lending for certain types of real estate.

Since 2013, additional information has been gathered to improve assessment of the risk situation of the banking centre and of the individual institutions as well as to recognize any risks in the cross-border business at an early stage.

As part of their regular reporting, the banks report the level of assets under management (AuM) and the net inflow and outflow of new money, broken down by country of origin of the contracting party and of the beneficial owner. The scope of the data subject to reporting and the degree of detail were increased in the previous year in order to further improve expressiveness. This allows better estimation of any risks the banks might be exposed to in light of their client structure.

## Outlook on the development of reporting

On 1 February 2015, Liechtenstein will transpose the CRD IV provisions (Basel III) into national law as part of the incorporation of new EU rules. This will introduce additional, more comprehensive reporting obligations. Reports under supervisory law will henceforth be submitted using the FMA's Internet-based platform, e-Service. Other reporting requirements will be introduced at a later time in the course of incorporation of additional EU rules. Due to the fact that no institution in Liechtenstein is classified by the European Supervisory Authorities (ESAs) as a systemically important bank at the European level, only few data have to be forwarded. However, the ESAs have the right to demand additional data if they deem it necessary.

## Supervisory practice

Measures were triggered during the reporting year primarily by deficiencies raised in audit reports, enquiries by other supervisory authorities, indications by third parties of possible grievances, and the supervisory activities of other departments within the FMA.

In 2014, the targets of investigations included adequate design of risk management, violations of regular reporting provisions, cross-border provision of services and group functions, lending services, and violations of the Due Diligence Act and suspicions of market abuse. International cooperation was continued in 2014 with other supervisory authorities as part of the Joint Risk Assessment and the Joint Capital Decision. In 2015, a revision of the process is planned, based on the new European standards.



### 1.2.3 Combating abuse

The provision of banking services under the Banking Act is subject to a licence in Liechtenstein. Likewise subject to a licence are the commercial issuance of e-money in Liechtenstein under the E-Money Act and the provision of commercial payment services under the Payment Services Act. The provision of such services without a licence is prosecuted by the FMA and punished by the Court of Justice.

If there are indications of activities performed by financial service providers without a licence, the FMA takes the necessary supervisory measures. For this purpose, the FMA has the legally specified supervisory resources at its disposal. These allow the FMA to intervene domestically and prohibit exercise of the activities subject to the licensing requirement. It may also combat abuse by entering into contact with foreign authorities. In individual cases, the FMA may post warnings of abuses on its website in order to protect clients.

The FMA also brings fact patterns to the attention of the Office of the Public Prosecutor that constitute a violation of the Market Abuse Act. In such cases, there is suspicion that insider trading or market manipulation has been committed in Liechtenstein. Since information about market activity is generally situated abroad, the FMA works closely together in such cases with foreign authorities. But its investigations are also based on information provided by domestic authorities and financial intermediaries.

During the reporting year, the FMA conducted numerous enquiries on suspicion of abuse on the basis of indications provided by domestic and foreign authorities, affected market participants or clients, and its own observations. In the Banking Division,

22 cases of suspected activities without a licence or of market abuse were investigated, and measures were taken. The number of criminal charges filed with the Office of the Public Prosecutor rose again considerably compared with previous years (2013: 8 cases; 2014: 14 cases).



Figure 2  
Number of cases of abuse

### 1.2.4 Operational focus areas

#### Basel III

With the implementation of the Basel III provisions (CRD IV, CRR) into the national legal order, a major regulatory project with a huge impact on banks and investment firms was completed. The FMA is also taking on new responsibilities. A wide range of adjustments to existing supervisory processes are necessary. To fulfil the future requirements, the FMA undertook the necessary preparatory work during the reporting year.

#### Risk-based supervision

To ensure efficient supervision with the existing resources, the FMA must focus on the most important risks of the individual institutions under supervision. To achieve this, the instruments employed are regularly improved, and the risks of the supervised

institutions are analysed on an ongoing basis. Appropriate supervisory measures are derived from these analyses. Consequences include talks with the financial intermediaries about specific risks as well as on-site inspections.

### **Supervisory system for investment firms**

With the licensing of the first investment firm under the Banking Act, a suitable supervisory system had to be developed during the reporting year. This included the creation of intermediary-specific supervision tools. The processes and experiences of Banking Supervision were used as a basis. The FMA also held various talks with authorities in Liechtenstein and abroad in order to clarify the demarcations between the various supervisory responsibilities.

### **Consolidated supervision**

In terms of the demand for banking services, the Liechtenstein market is very limited. Liechtenstein financial intermediaries therefore have a strong international focus. This means the FMA must also conduct its activities accordingly. Moreover, an additional international banking group – Valartis Finance Holding Group – became subject to the FMA's consolidated supervision in 2014.

For this reason, the FMA's focus is increasingly also on consolidated supervision. This has been reflected in new agreements with foreign supervisory authorities and cross-border inspections of Liechtenstein banking groups. Moreover, exchanges with foreign supervisory authorities – for instance in the context of supervisory colleges within the EEA – as well as bilateral talks with representatives of the supervisory authorities of third countries have been intensified. The FMA took part in several peer reviews conducted by the EBA and ESMA and was also represented in various EBA working groups.

### **Systemic stability**

In the wake of the financial crisis, much attention has been paid at the political and economic level to the question of the systemic importance of financial institutions, especially of banks. The balance sheet totals of several credit institutions in Liechtenstein are very high compared to GDP, which is why the question of the systemic importance of banks also arises in Liechtenstein. The FMA has therefore continued its work to ensure financial stability, together with the relevant authorities and market participants. Of particular importance in this regard are the European requirements governing prevention and emergency measures as well as deposit insurance and resolution.

### **1.2.5 Outlook**

The abolition of the euro exchange rate floor by the Swiss National Bank (SNB) and the increase of the negative interest rate charged on deposits above a certain threshold at the SNB represent a burden on banks' income situation. The interest margin business will become even more difficult, and the question becomes more urgent as to what impact it would have on depositors to pass on the negative interest rate. When situations are this exceptional, the supervisory authority is under special pressure to monitor compliance with legal provisions on an ongoing basis and to always keep an eye on client protection and the stability of the financial centre.

On 1 February 2015, the Basel III requirements will enter into effect for Liechtenstein. Adjusting to the new regulatory framework – for instance in regard to reporting – demands a substantial workload from the banks. This is also true for the FMA, given that processes have to be adjusted, and the new inspections and responsibilities have to become

established. Another challenge is the implementation of the European MiFID II directive, which is currently being undertaken as part of a regulatory project.

International cooperation with foreign supervisory authorities is being further strengthened with the conclusion of cooperation agreements (memoranda of understanding, MoUs) and through the supervisory colleges. Due to the international links among the supervised financial intermediaries, this institutionalized exchange of information among authorities is essential for effective consolidated supervision in accordance with the European standard. These standards are now defined in a European Supervisory Handbook and serve to harmonize the approaches to assessment and rating of the financial intermediaries. Implementation of this Supervisory Handbook is planned for 2015.

#### 1.2.6 International administrative assistance

The FMA grants 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 2014, administrative assistance was requested from the FMA in 41 cases. Compared with the previous years, this represents a marginal decline in requests received, but it is still a high level from an international perspective.

Except for two requests (which were still being processed as of the end of 2014), the Administrative Court approved execution of administrative assistance in all requested cases. 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 recognition overall, not least of all thanks to the enhanced cooperation of the FMA with important authorities and international institutions.



Figure 3  
Number of requests for administrative assistance received

Figure 4  
Reasons for requests relevant to proceedings

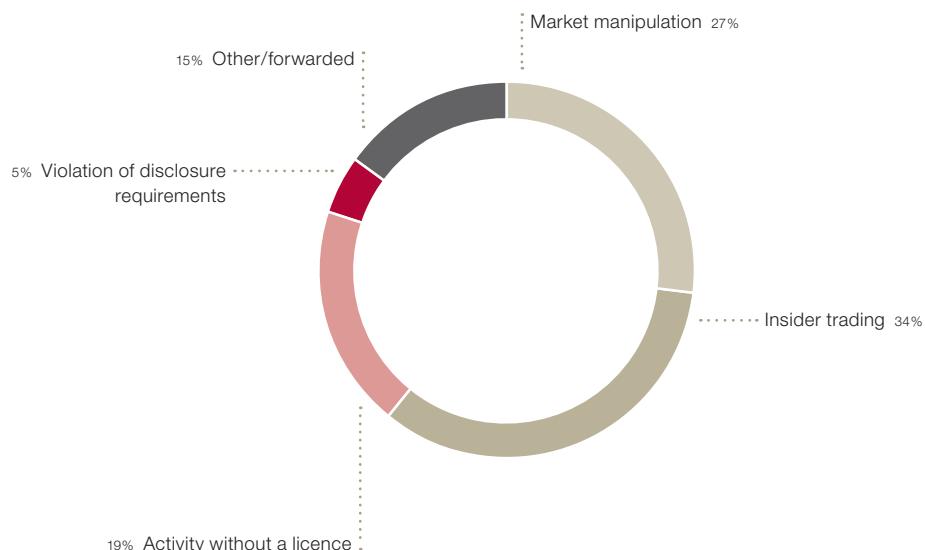
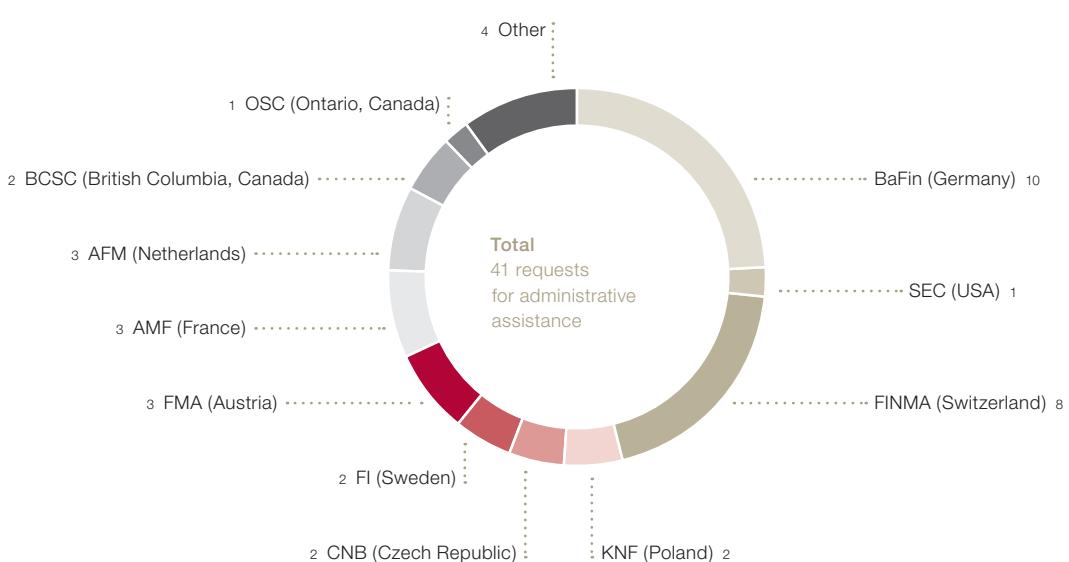


Figure 5  
Requests for administrative assistance, by authority



Compared with the previous year, the number of information exchanges increased again in 2014. While a total of 41 administrative assistance proceedings (including requests from the previous year) were concluded in 2013, a total of 46 requests for administrative assistance were answered or completed in the reporting year by the end of December. It is gratifying that the FMA in principle 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 spring 2013, an individual complaint was filed with the Constitutional Court in regard to an administrative assistance case, claiming a violation of rights guaranteed by the Liechtenstein Constitution and the ECHR, specifically a violation of the right to be heard by a judge, the right of complaint, the right to protection of confidentiality and privacy, and the prohibition of arbitrary action. The Constitutional Court's judgment in this case (StGH 2013/50) found several parts of the administrative assistance rules set out in the FMA Act to be unconstitutional and voided them. At the same time, the Constitutional Court deferred legal effect of the judgment until one year after its publication, which was on 11 December 2014. The FMA can therefore continue to render administrative assistance in accordance with existing practice and the required standard. The FMA is working together with the Government to develop an internationally recognized and constitutionally compliant solution. The new rules must enter into force by 11 December 2015 so that the FMA can provide administrative assistance according to the international standards without interruption.

## 1.3 Securities Division

### 1.3.1 Investment undertakings

#### Licences and certifications

##### **Authorization of domestic investment funds**

In 2014, the FMA issued 12 licences for domestic investment funds in the legal form of a collective trust. The number of licences issued was thus half that of 2013. In the reporting year, a risk manager was also authorized under the Alternative Investment Fund Managers Act (AIFM Act). Accounting for returns of licences and new licences, there were 17 management companies under the IUA and 15 under the UCITS Act as of the end of 2014, along with 8 AIFMs.

Taking account of liquidations and deletions, the number of Liechtenstein investment funds fell by 20 to 532 as of the end of 2014. Some of the 532 domestic investment funds have subfunds, so a total of 735 individual funds were licensed in Liechtenstein as of the end of the year. These were managed by 17 management companies/AIFMs and one self-managing investment company, or a total of 18 companies.

296 changes to prospectuses were approved. Compared with the previous year, in which there were 316 changes, this represents a slight decline. Despite this decline, 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 declined, taking account of mergers, non-launches, and liquidations. At the end of 2014, 147 (previous year: 156) foreign

investment funds with a total of 1,035 individual funds were authorized for marketing. They encompassed 109 UCITS-compatible investment funds and 38 non-UCITS funds from the EEA or third countries. Meanwhile, 11 foreign management companies have notified their free movement of services in Liechtenstein.

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

In addition to the persons entitled to market fund units in Liechtenstein that are enumerated in the Law on Investment Undertakings for Other Values or Real Estate (IUA) and hold a licence under that special legislation, 11 legal persons and one natural person were likewise entitled to market units at the end of 2014 pursuant to 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 to market units is possible anymore.

### **Ongoing supervision**

#### **Auditing**

In indirect supervision, all audit reports at the product level under the IUA and the UCITS Act were evaluated. The reports found 168 deficiencies, which means a decline of 27% compared with the previous year. This positive development shows that the management companies have been able to eliminate the deficits arising from the previous year's transition to UCITS IV and the associated higher density of regulation. 53 deficiencies concerned active violations of investment guidelines, and 33 deficiencies concerned the failure to meet legal minimum net asset requirements.

At the management company level, 17 audit reports were evaluated. The reports found 10 deficiencies, 8 of which concerned organizational requirements.

The FMA examined the deficiencies and instituted the appropriate measures. This was done in part by demanding restoration of a lawful state of affairs, through on-site inspections, or by discussing the deficiencies in management meetings with the persons responsible at the management companies. The FMA closely follows the development of the number and type of deficiencies. With a combination of supervisory and preventive measures, the FMA aims to prevent supervision cases and to reduce the number of deficiencies in audit reports.

#### **Reporting**

In addition to the audit reports, management companies must submit to the FMA or publish additional periodic reports on investment undertakings (funds) and undertakings for collective investment in transferable securities (UCITS) as well as alternative investment funds (AIFs) they manage. These include semi-annual and audited annual reports. The FMA conducted a critical review of all reports and, where necessary, took suitable supervisory measures to correct deficiencies. In total, more than 700 semi-annual and annual reports were evaluated.

#### **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.

## SUPERVISION

FMA Annual Report 2014

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

Category	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	+/-
Active management companies (MCs)	24	22	19	17	17	0
of which fund managements	21	21	18	16	16	0
of which investment companies	3	1	1	1	1	0
Domestic investment funds*	469	535	368	346	322	-24
of which IUs for securities	153	177	6	3	2	-1
of which IUs for other values	171	177	171	140	119	-21
of which IUs for qualified investors	145	181	191	203	201	-2
Foreign investment funds	193	198	177	156	147	-9
Audit companies	11	11	10	11	11	0

\* Since 2012, undertakings for collective investment in transferable securities (UCITS) have been reported separately

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

Category	31.12.2012	31.12.2013	31.12.2014	+/-
Active MCs	14	15	15	0
of which fund managements	14	15	15	0
of which investment companies	0	0	0	0
UCITS	189	206	208	2

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

Category	31.12.2013	31.12.2014	+/-
Large AIFMs	5	8	3
Small AIFMs	0	0	0
Administrators	0	0	0
Risk managers	0	1	1
Marketing contractors	0	0	0
AIFs	0	2	2

Figure 9  
Total number of companies\*

Category	31.12.2012	31.12.2013	31.12.2014
Active companies with authorizations	20	20	19

\*A company may have several authorizations

The valuation of investment funds, especially in the field of alternative investments, makes high demands on management companies and custodian banks and again led to several questions relevant to supervisory law in 2014.

For the first time in 2014, the FMA carried out accompanied fund audits. Accompanying the external auditors in their on-site audits of investment undertakings or UCITS serves as a quality assurance measure for external auditors and as an independent inspection of the products. In total, the FMA accompanied six audits.

In addition to the accompanied audits, the FMA conducted six management meetings and on-site inspections, two of which were in conjunction with licence applications under the AIFM Act.

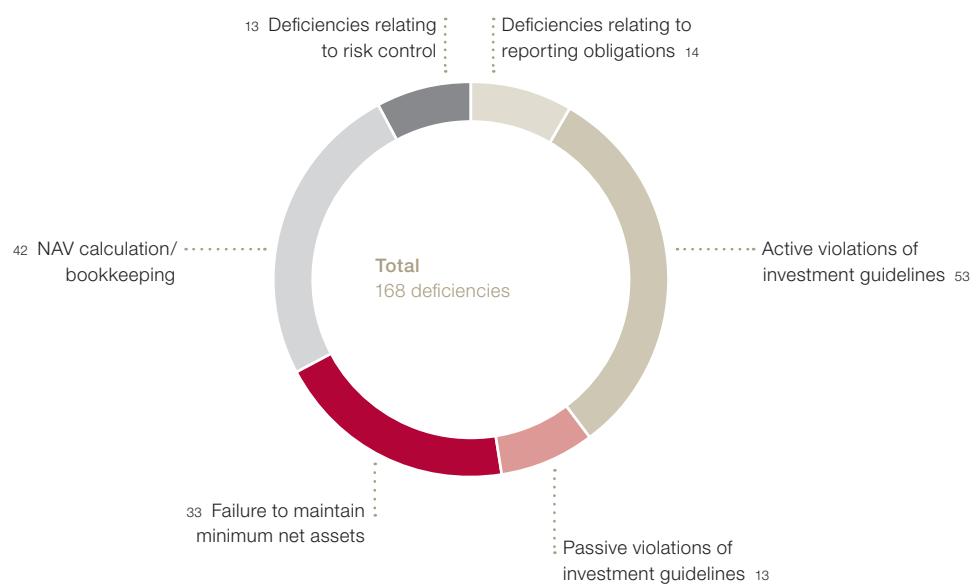
### Supervision cases

The FMA initiated supervisory proceedings against several investment undertakings. As of 31 December 2014, three supervision cases in connection with investment undertakings were open. The FMA also initiated one administrative proceeding under article 26(1) of the FMA Act.

### Combating abuse

In the context of combating abuse relating to investment undertakings, the FMA dealt with ongoing market supervision as well as clarifications of whether certain business models fall within the scope of fund law and thus require a licence under the IUA, the UCITS Act, or the AIFM Act. In 2014, the FMA did not find any misuse of fund structures or fund names. On the basis of indications of possible abuse, the FMA carried out an on-site inspection.

Figure 10  
Deficiencies – Products



## Operational focus areas

The Securities Division rigorously punishes violations of the law relating to reporting. The cases in question were primarily delayed or overdue submissions of reports by intermediaries or external auditors. These decisions on individual cases were made on the basis of legal provisions and ensure compliance with the legally required deadlines. In total, the Securities Division issued 15 administrative penalties in connection with investment undertakings, 14 of which were directed at management companies and one at an external auditor.

For the audit of the 2013 business year, the FMA issued an extraordinary audit mandate to the external auditors of management companies. The audit covered effective investment decisions with the involvement of investment advisors in the fund business. Because the appointment of investment advisors does not constitute a delegation of an investment decision, the investment decisions must continue to be made exclusively by the management company or an appointed asset management company. Where necessary, the FMA ordered suitable corrective measures based on the audit results.

## Outlook

### Code of conduct

In 2015, the existing code of conduct must be adjusted to the legal requirements under the UCITS Act and the AIFM Act. For this purpose, a working group was appointed in 2014, consisting of members of the Liechtenstein Investment Fund Association (LAFV) and the FMA. The goal of the code of conduct is to make a contribution to investor protection as well

as to secure and promote trust in the Liechtenstein fund centre and the Liechtenstein financial system (market integrity) at home and abroad.

### Supervisory reporting

For the 2014 business year, supervisory reporting on management companies was carried out for the last time on the basis of FMA Guideline 2012/01 of 31 October 2012. With entry into effect of the Audit Guideline on 31 December 2014, auditing and reporting on financial intermediaries must be conducted on the basis of this new FMA guideline for business years ending after 31 December 2014. The Audit Guideline governs the audit standards that must be complied with for audits and reports undertaken by the external auditors and audit companies pursuant to special legislation. This further enhances the quality of the audits as well as client protection.

### Reporting

The periodic reporting obligation for the AIFM and for every AIF managed by the AIFM may be fulfilled by supplying data to the FMA in XML format in accordance with the specification published by ESMA or using an entry form that will be made available on the FMA's e-Service portal. e-Service reporting is expected to be introduced in the second half of 2015.

### 1.3.2 Asset management companies

### Licences

In 2014, the FMA issued 8 licences to asset management companies (AMCs), down from 11 in the previous year. 5 licences expired during the reporting period. 4 applications were withdrawn during the application procedure. No application had to

be rejected. This means that at the end of 2014, 121 AMCs held licences in Liechtenstein, 2 more than in the previous year. The growth trend among authorized AMCs thus continues.

In total, the AMCs applied for or notified 91 changes to existing licences. These were mainly changes to governing bodies and qualifying holdings. 31 applications for notification of free movement of services were submitted at the FMA, and the corresponding notification procedures were carried out. At the same time, two new applications for establishing branches in the EEA were submitted.

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

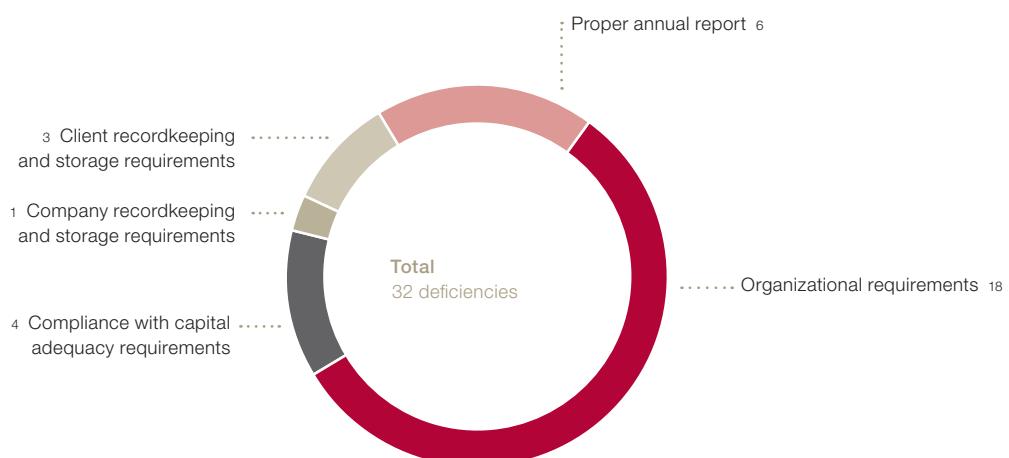
## Ongoing supervision

### Regular audits pursuant to the AMA

The AMCs were audited by the external auditors and the FMA. Within the framework of dualistic supervision, 105 audit reports were evaluated. In total, 32 deficiencies were found in regard to 20 companies.

The deficiencies primarily concerned organizational requirements. They were identified primarily on the basis of FMA Communication 2013/8, which sets out the requirements governing the registered office, organization, and personnel. The provisions must be implemented by the AMCs by 1 January 2016. Furthermore, compliance with capital adequacy requirements was deficient in the case of four AMCs. On the basis of the deficiencies, the FMA took the necessary supervisory measures to remedy the violations of the law.

Grafik 11  
Deficiencies



### Reporting

The AMCs' reporting discipline improved slightly. Late or missed reports were penalized with administrative fines. In a few cases, changes to the general management, board of directors, or articles were undertaken without prior approval by the FMA or prior notification to the FMA. Breaches of these notification and approval obligations were also penalized by the FMA.

### Supervision cases

In three cases, the FMA carried out proceedings against AMCs for failure to meet capital adequacy requirements. The AMCs were called upon to restore a lawful state of affairs. In other cases, the FMA investigated persons or companies against which the Office of the Public Prosecutor had initiated criminal proceedings. In the case of one AMC, collection proceedings were initiated due to failure to pay supervisory fees. In one case, the FMA withdrew an AMC's licence due to various breaches of the AMA.

### Combating abuse

To combat abuse, the FMA investigated various indications of abuse and conducted its own research. In several cases, attempts were made to deceive potential clients 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 ("cloned companies"). In these cases, warnings were published on the FMA website to protect investors. In the case of violations of the AMA, the FMA in all cases files criminal charges with the Office of the Public Prosecutor.

### Operational focus areas

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

In cooperation with the Association of Independent Asset Managers (VuVL), the FMA further specified the organizational demands on asset managers and published them by way of FMA Communication 2013/8. The Code of Ethics and Professional Conduct of the VuVL was amended accordingly and declared binding by the FMA on 17 December 2014.

#### Management meetings/On-site inspections

The FMA again systematically conducted management meetings and on-site inspections; to combat money laundering, it also carried out accompanied due diligence inspections. One goal was to strengthen direct awareness of the FMA's supervisory activities, and another was to sensitize asset managers to the organizational requirements that have to be implemented by the beginning of January 2016. Implementation of the MiFID II directive was also discussed, which will lead to significant changes to the existing structures.

### Outlook

In 2015, the work will be undertaken to fulfil the suitability requirements of investment recommendations, financial instruments, and services under MiFID. Additionally, the preparatory work to implement MiFID II and the Audit Guideline will commence. As part of ongoing supervision, various management meetings, on-site inspections, and due diligence inspections will be carried out under the risk-based approach.



### 1.3.3 Securities prospectuses

#### Approvals

Approval activities relating to securities prospectuses under the Securities Prospectus Act (SPA) were of subordinate significance in 2014. Only two applications from Liechtenstein were submitted for approval. Notifications by foreign supervisory authorities for basic prospectuses of issuers of structured products declined slightly. In many cases, no subsequent public offer was undertaken in Liechtenstein either.

Offers of foreign structured products notified by an EU/EEA country in Liechtenstein remained stable from 2013 to 2014. Three issuers submitted the final conditions for a total of 111 structured products to the FMA.

### 1.4 Insurance and Pension Funds Division

#### 1.4.1 Insurance undertakings

#### Licences

At the end of 2014, 42 insurance undertakings (previous year: 42) held licences issued by the FMA (22 life insurers, 15 non-life insurers, and 5 reinsurers). 13 undertakings were registered as captives, 8 of which as direct insurers and 5 as reinsurers. As of the end of the year, one application for the formation of an insurance undertaking was being processed.

The FMA is also responsible for the recognition of external auditors pursuant to the special legislation. In 2014, no new audit companies were recognized under the Insurance Supervision Act (ISA).

#### Cross-border provision of services

At the end of 2014, 391 (previous year: 364) 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 2014, 41 insurance undertakings were called upon to submit their documents to the FMA for reporting on the 2013 business year (one insurance undertaking had already requested an extended first business year and was thus exempt from this reporting obligation). In the case of two insurance undertakings, deficiencies identified in the audit reports led to further measures; in the case of four further insurance undertakings, notes or supplements by the external auditors that did not qualify the audit findings led to special supervisory measures (on-site inspections and management meetings).

The external auditors issued an audit report without qualifications, notes, or supplements for 35 insurance undertakings. In the course of the FMA audit, conspicuous facts were found in 24 of these 35 undertakings, but these could be remedied already during the audit. They concerned, in particular, incorrect calculation of solvency under Solvency I or enquiries concerning certain balance sheet items or valuation approaches. In addition to the annual reports, the quarterly reports of the insurance undertakings were also audited.

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

In 2014, the FMA carried out six regular and two extraordinary on-site inspections. Apart from the general topics (business model, corporate strategy,

and financial situation), special attention was paid to the risk management system, the head office, legal risks, and the status of preparations for Solvency II. At the same time, sample audits were conducted of building security and administrative systems. The two extraordinary on-site inspections were triggered by issues relating to the risk management system and the bookkeeping and administrative systems.

In addition to these focus areas, one on-site inspection also examined distribution organization and the outsourcing contracts concluded in that connection. It was noted that the internal control system should be further expanded and risk management adjusted accordingly.

Another on-site inspection indicated that the requirements concerning the head office were not being fully complied with. The company was called upon to adjust the head office in accordance with the requirements of the FMA instruction.

The results of the on-site inspections were in general positive.

Supplementing the on-site inspections, four regular and two extraordinary management meetings were carried out in 2014. The extraordinary management meetings were due to questions relating to the head office and company transfer. The insights gained from these meetings are very valuable and positive for the FMA.

### Audits pursuant to the DDA

Regular due diligence inspections regarding compliance with the provisions of the Due Diligence Act (DDA) and the associated ordinance (DDO) are carried out at insurance undertakings each year by the external auditors mandated under the special legislation. In the 2014 reporting year, regular DDA

inspections were carried out at 21 life insurers. In three cases, the external auditors had to carry out a follow-up inspection. In the case of one life insurer in run-off, the FMA issues a special mandate for due diligence inspections at regular intervals.

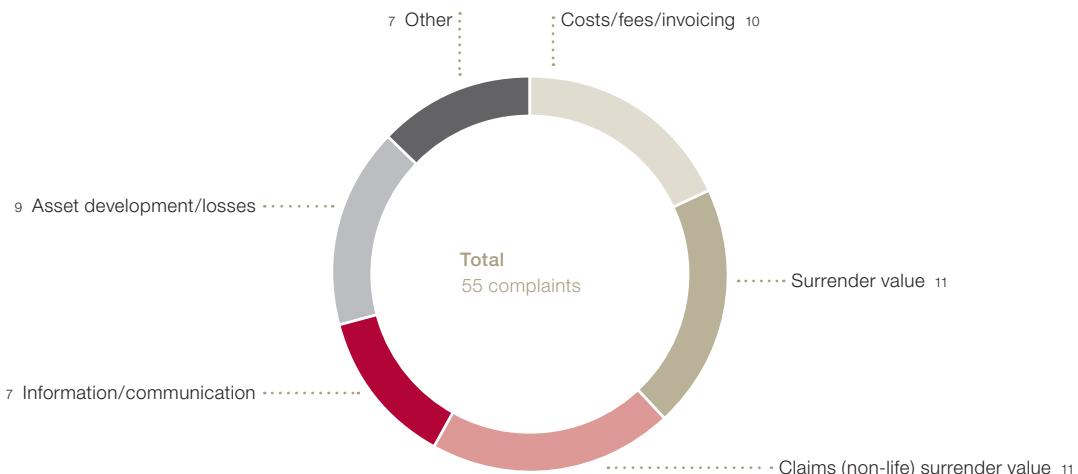
Overall, the deficiencies identified relate primarily to maintenance of the due diligence files, requirements governing the business profile, and individual risk management. In a decision in 2014, the FMA Complaints Commission ruled on the expressiveness and safekeeping of business profiles. In particular, the information relevant to a business profile must be collected and prepared in writing and safeguarded in a document. The same applies to the safekeeping of electronic due diligence files. The information required under article 20 of the DDO, for instance, should be available in a single (electronically stored) document. Otherwise, a third party with expertise would have to "gather together" the information from different sources, which would prevent a reliable judgment from being made on compliance with DDA and DDO requirements. In these areas, the FMA believes actions are necessary at several insurance undertakings, and these areas will accordingly be a focus of its audits in the coming year.

### The FMA as a complaints body

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In the reporting year, 55 complaints were addressed to the FMA by policyholders or their representatives. This is a decline of roughly 27% from the previous year (2013: 75 complaints). Most of the complaints involved questions concerning the calculation or amount of the surrender value, as well as disagreements regarding the provision of non-life insurance benefits. Complaints regarding the disclosure and invoicing of costs and fees fell by half from the previous year. In contrast, complaints regarding negative asset development/losses rose from one to a total of

Figure 12  
Complaints



nine. Seven complaints concerned lacking or insufficient communication by the insurance undertaking with the client.

#### **Compulsory building insurance**

In 2014, 14 insurance undertakings were offering compulsory building insurance in Liechtenstein. Of these insurance undertakings, 12 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 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**

One focus of operational activities was the preparation undertaken by the FMA and the insurance companies for the new Solvency II supervisory regime. Through an amendment of FMA Communication 2013/1 on 14 January 2014, the EIOPA preparatory guidelines for Solvency II were published and declared applicable to Liechtenstein insurance undertakings. Subsequently, a questionnaire was developed in close cooperation with external specialists to determine the state of preparations for Solvency II among insurance undertakings. This questionnaire was sent out to the companies in the first quarter of 2014. The analysis of the responses led to individual meetings with the insurance undertakings, more detailed discussions in the working groups of the Liechtenstein Insurance Association, and the preparation of internal

guidelines and supervisory processes within the FMA. A second questionnaire to survey progress since the first quarter of 2014 was sent out to the companies in November 2014.

## Outlook

The year 2015 will focus heavily on preparations for the new supervisory regime. In addition to surveying the current state of implementation among insurance undertakings in the first quarter of 2015, initial concrete measures and data deliveries on the basis of the Solvency II rules will be necessary. This poses challenges for the individual insurance undertakings to prepare the data deliveries and qualitative reports and to submit them to the FMA. At the same time, the FMA has to adjust its processes and systems to audit and analyse these reports and data, so that they can be forwarded to the European Insurance and Occupational Pensions Authority (EIOPA).

After transposition of the rules into Liechtenstein law, the new supervisory regime Solvency II will enter into force on 1 January 2016. This will entail further challenges both for insurance undertakings and for the FMA. The preparations for Solvency II will also be the key focus of the on-site inspections and management meetings with insurance undertakings.

### 1.4.2 Insurance intermediaries

#### Licences

##### Licences issued/withdrawn

A total of 4 licences were issued in 2014. 7 licence holders suspended their activities as insurance intermediaries in 2014. This means that as of the end of

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

##### Cross-border provision of services

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

#### Ongoing supervision

##### Reporting

By 31 March 2014, the insurance intermediaries were requested to submit their reporting for the 2013 business year to the FMA, along with the key data used to calculate the supplemental supervisory tax for the 2014 tax year. Most of the insurance intermediaries met the reporting deadline. Reminders had to be sent to seven intermediaries. A fine was imposed on one insurance intermediary due to late submission of the key data used to calculate the supplemental supervisory tax. Two other intermediaries were threatened with a fine if they submitted the data late again in the future.

In summary, the evaluation of all the reports resulted in the following findings:

- Two intermediaries operated in cross-border business, even though no prior notification was made to the FMA as required by law. The notifications were subsequently submitted in the course of reporting. The FMA issued warnings in these cases;
- three intermediaries did not notify a change of licence pursuant to article 19(2) of the IMA. Also in these cases, warnings were issued to the intermediaries;
- nine intermediaries were unable to provide evidence of adequate continuing education. The FMA issued requests to make up adequate continuing education within a reasonable period of time;
- five intermediaries did not engage in mediation activities in 2013.

#### **Regular audits pursuant to the DDA**

In general, the FMA mandates 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 two audit rounds in 2014, an inspection was carried out among 18 of the 49 insurance brokers subject to the DDA.

In four cases, the results of the inspections indicated that adjustments were necessary, primarily relating to the requirements governing internal instructions, individual risk management, and the documentation of PEP checks, which some insurance brokers have delegated to insurance undertakings.

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

The FMA conducted regular on-site inspections at seven insurance mediation undertakings in order to verify permanent compliance with licensing conditions. The focus areas of these inspections were the obligations to inform and advise, compliance with the DDA, internal organization, and the product and client portfolio. Five of the inspections could be concluded in 2014 with minimal orders or notes.

One on-site inspection showed that the business organization was grossly deficient, that the obligations to inform and advise were not being met, and that no measures were being taken to implement and comply with due diligence obligations. The company was called upon to restore a lawful state of affairs in accordance with the Insurance Mediation Act (IMA) and the DDA. At the same time, administrative criminal proceedings under the DDA were initiated, and criminal charges were filed with the Office of the Public Prosecutor due to breach of the due diligence obligations.

The on-site inspection at a second company likewise indicated that the obligations to inform and advise had not been implemented in accordance with the law. In light of the fact that the insurance intermediary shared an office with another company, the FMA identified a major risk in regard to compliance with insurance confidentiality, and it called upon the company to implement appropriate measures. Moreover, deficiencies were identified in regard to the business profiles that serve to monitor business relationships in accordance with the DDA. Both supervisory proceedings were still pending at the end of 2014.

## Combating abuse

Insurance mediation in Liechtenstein is subject to a licence pursuant to article 5 of the IMA. Providing such services without a licence thus constitutes a violation that is prosecuted by the FMA and punished by the Court of Justice.

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. In the reporting year, several leads were investigated. One company was requested in the course of these enquiries to adjust its website accordingly. Another enquiry had not yet been concluded.

## Operational focus areas

At the end of 2013, EIOPA published guidelines on complaints-handling by insurance intermediaries. These EIOPA guidelines were published by the FMA on 16 July 2014 and declared applicable to Liechtenstein insurance intermediaries. These guidelines aim to ensure that all insurance intermediaries domiciled in the EEA handle complaints by policyholders in a uniform manner in line with the guidelines.

In the reporting year, the supervisory taxes for the 2014 tax year were invoiced for the first time on the basis of the new key data used for calculating the supplementary tax. Previously, the natural persons entered in the insurance intermediary register were used to calculate the supplementary tax. With the revision of the FMA Act effective 1 January 2014, the FMA has now implemented a supplementary tax based on turnover, i.e., gross revenue in the year preceding the tax year. The transition to the new

funding model did not give rise to any significant difficulties and has been accepted by the insurance intermediaries.

## Outlook

The FMA is required to monitor compliance with the guidelines on complaints-handling by insurance intermediaries mentioned above. This will be done especially through on-site inspections and annual reporting. In addition to compliance with these guidelines, supervisory activities will continue to focus on the obligations to inform and advise as well as due diligence obligations.

At the European level, revision of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation (IMD II) is pending. Due to further delays at the European level, an interim step was taken with entry into force of MiFID II by including a new chapter in Directive 2002/92/EC (IMD) defining additional requirements for the activities of insurance intermediaries and for direct sales of insurance-based investment products by insurance undertakings (IMD 1.5). Already last year, implementation of MiFID II and thus also of the revised IMD began in cooperation with the affected business associations.

### 1.4.3 Pension schemes

#### Licences

At the end of 2014, 24 (previous year: 24) pension schemes in Liechtenstein were under the supervision of the FMA. These were 8 collective foundations,

15 company pension schemes, and the Liechtenstein Occupational Pensions Foundation (Stiftung Personalvorsorge Liechtenstein, SPL).

On the basis of the Law on Occupational Pensions of the State (State Pensions Act), the SPL assumed legal succession of the Pension Insurance for State Employees on 1 July 2014, after it was granted a licence by the FMA in December 2013 subject to conditions precedent.

#### Ongoing supervision

##### Audits pursuant to the Occupational Pensions Act

The pension schemes were required to submit their report on business activities in the 2013 business year to the FMA by 30 June 2014. The documents were audited in detail, and compliance with the legislative and regulatory provisions was verified. In almost all cases, the reports were submitted on time. Two of the schemes were issued a warning. In the case of 14 pension schemes, missing documents were subsequently demanded, and in the case of five schemes, additional clarifications became necessary during the audit. The audit work was completed by October.

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 2014. Only the Liechtenstein Occupational Pensions Foundation, as the legal successor of the Pension Insurance for State Employees, 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 three management meetings with the pension schemes and one on-site inspection. The focus was on auditing the organization, administration, and business management as well as handling shortfalls. During its on-site inspection, the FMA also conducted sample audits of the administrative system and examined the handling of cash payouts and claims. The inspections found deficits in the administrative system, which were remedied immediately. The meetings were satisfactory.

#### Vested benefits accounts

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

The FMA received a total of 241 (previous year: 257) applications for cash payout in 2014, of which 122 (previous year: 126) received a positive response and 29 (previous year: 54) a negative response. 65 applications were still pending at the end of 2014. 25 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 10.22 million (previous year: CHF 8.39 million).

## Combating abuse

Pursuant to article 4a(1) of the OPA and FMA Guideline 2008/1, the Old Age and Survivors' Insurance Authority (AHV) verified whether employers in Liechtenstein are properly associated with a pension scheme to insure their employees. Employers that do not meet their association obligations are reported to the FMA. In 2014, the AHV reported seven employers to the FMA. The FMA called upon them in writing to restore a lawful state of affairs. In all cases, a solution was found in agreement with the employer.

The pension schemes are required to notify the FMA within 30 days if an association contract is cancelled. In 2014, the FMA received 116 (previous year: 226) notices of cancellations of association contracts. After receiving a notice, the FMA requests that the employer communicate whether it still employs persons subject to the insurance requirement. If so, the employer must provide evidence of a new association with a Liechtenstein pension scheme. If, despite employing persons subject to the insurance requirement, the employer does not join a new pension scheme, the FMA retroactively imposes the employer's association with a pension scheme for purposes of insurance. In the reporting year, the FMA did not impose any such associations with a pension scheme.

According to article 7(5) of the OPA, the pension schemes must report to the FMA within three months if an employer is late in paying the required contribution.

After receiving such a report, the FMA demands that the employer settle the outstanding contributions under threat of penalty. In 2014, the FMA received 99 (previous year: 139) reports of outstanding

contributions. Of these, the FMA reported the facts of a total of 21 (previous year: 32) cases to the Office of the Public Prosecutor.

## Operational focus areas

### Liechtenstein Occupational Pensions Foundation

On 1 July 2014, the Law on Occupational Pensions of the State (State Pensions Act) entered into force. With entry into force, the Liechtenstein Occupational Pensions Foundation (SPL) took up its insurance activities, after carrying out the necessary preparatory work in the first half year and implementing an organizational structure. The SPL and the Pension Insurance for State Employees (PVS), which had been operational until the end of June, required the FMA's special attention during the reorganization. With the establishment of the SPL, the switch from defined benefits to defined contributions, the partial funding up to a funding ratio of 90%, and an interest-free loan, a sustainable basis has been provided for the occupational pensions of the State. Due to the existing shortfall, the SPL continues to be closely monitored by the FMA.

### Revision of occupational pensions

Occupational pensions in Liechtenstein are in need of reform. This is due to the major changes in the pension environment and the need for equivalence of the Liechtenstein legal framework with that of Switzerland, in view of the association of Liechtenstein pension schemes with the BVG Guarantee Fund pursuant to the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG).

On behalf of the Government, the FMA prepared a draft revision. The revision will be completed in close cooperation with the Liechtenstein Pension Fund Association and other stakeholders.

### **Outlook**

The work on revision of the OPA is far advanced. Consultations are scheduled for spring 2015. Entry into force of the revised Occupational Pensions Act (OPA) is planned for 1 January 2017, so that coordination with the first pillar of the pension system (old age and survivors' insurance) can be ensured.

#### **1.4.4 Pension funds**

### **Licences**

The number of pension funds has fallen slightly. At the end of 2014, the FMA supervised 5 pension funds (previous year: 6). 4 of these 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 2013 by 30 April 2014 at the latest. The FMA reviewed the submitted documents and monitored compliance with the legislative and regulatory provisions. The audit round for the 2013 business year was concluded in December 2014. Additionally, the semi-annual reporting of the pension funds was inspected.

### **Operational focus areas**

In addition to inspections of the annual and semi-annual reports, more far-reaching audit activities constituted an operational focus area. In particular, these involved two regular management meetings held to discuss current issues and challenges.

### **Outlook**

On 27 March 2014, the European Commission adopted a proposal for a recast Directive 2003/41/EC of the European Parliament and of the Council of 2 June 2003 on the activities and supervision of institutions for occupational retirement provision (IORP Directive). The recast directive aims to improve the provisions on governance and transparency of IORPs. The question of solvency is not covered.

#### **1.5 Other Financial Intermediaries Division**

With entry into force of the new Professional Trustees Act (PTA) and the Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act) on 1 January 2014, the FMA's scope of responsibility was significantly expanded.

Professional trustees and trust companies as well as persons with a licence pursuant to article 180a of the Law on Persons and Companies (PGR) are now subject to ongoing supervision by the FMA. In turn, responsibility for enforcement of the Lawyers Act was transferred to the Liechtenstein Chamber of Lawyers on 1 January 2014.

The conversion of the legacy certifications and entitlements under article 180a PGR into 180a licences under the new 180a Act resulted in a significant decline in the number of licensees. The reason is that it is now no longer possible to hold a professional trustee licence and a 180a licence at the same time.

As before, the FMA is responsible for due diligence supervision of professional trustees and trust companies, persons with a licence pursuant to article 180a PGR, lawyers, dealers in goods, real estate brokers, and other persons subject to due diligence. The FMA also enforces the due diligence aspects of the Gambling Act.

The FMA is also the competent authority for admission to examinations and professions and for the quality control of auditors. It exercises disciplinary powers in accordance with the Auditors and Audit Companies Act (AACa).

### 1.5.1 Admission to examinations/Licences

#### Admission to examinations/Licences

14 applicants registered for the admission examination under the Professional Trustees Act and one for the simplified trustee examination. eight candidates passed the admission examination and one candidate passed the simplified trustee examination. Two candidates withdrew from the admission examination.

The number of trust companies fell by three, and the number of trust companies with a restricted licence fell by two. The number of professional trustees increased by 11, and the number of professional

trustees with a restricted licence rose by eight. As of 31 December 2014, the total number of licences under the PTA was 380 (2013: 366).

#### Ongoing supervision

The extensive implementation work (instructions, forms, processes, etc.) necessary for enforcement of the new PTA were concluded in a timely manner.

The new rules such as verification of trustworthiness of additional members of the board of directors and general management and of persons with qualifying holdings, the new rules governing liability insurance, reporting and approval obligations, the activation of dormant licences, and definitions of infractions resulted in considerable extra work for the FMA.

More than 300 external enquiries were received, a strong increase over the previous year. Numerous questions of interpretation arose. Where necessary, personal meetings were held with professional trustees to eliminate any uncertainties, especially regarding vested rights.

The new law resulted in the renunciation of several professional trustee licences, because the general manager of a trust company (person actually managing the company) no longer has to be a licence holder.

Supplementing the regular meetings with the board of directors and management of the Liechtenstein Institute of Professional Trustees and Fiduciaries, the FMA held management meetings with individual trust companies in order to promote mutual understanding, discuss current issues, and gain an overview of the situation in the fiduciary sector.

## Combating abuse

Working as a professional trustee requires a licence pursuant to the PTA. The FMA monitors compliance with the licensing requirement as well as the proper use of the professional title “professional trustee” and “fiduciary” and any equivalent professional or business designation or name. It investigates any leads indicating that fiduciary activities are being performed without a licence or that protected titles and designations are being used by non-licensed persons. If there is well-founded suspicion that a violation has occurred, the FMA initiates supervisory proceedings and takes the necessary measures.

The FMA also verifies permanent compliance with the licensing conditions. If there are reasons to suspect that these conditions are no longer met, the FMA initiates supervisory proceedings and takes the necessary measures, including imposing any penalties.

The FMA conducted numerous preliminary enquiries on suspicion of abuse based on leads provided by third parties or its own observations. Based on the results of its investigations, it filed criminal charges with the Office of the Prosecutor in three cases on suspicion of misdemeanours under the PTA (unauthorized performance of the activities of a professional trustee, use of designations without a licence). In other cases, it called upon the persons concerned to restore a lawful state of affairs by modifying or deleting websites and changing business purposes.

In two cases, the FMA initiated supervisory proceedings due to the possible lack of sufficient liability insurance. After proof was provided, the proceedings were suspended. Due to several ongoing criminal proceedings against professional trustees, the FMA monitored permanent trustworthiness as a licensing

condition. The FMA issued written warnings to two persons actually managing trust companies (general managers) due to a first violation of the reporting obligation (change of members of the board of directors, termination of the employment relationship of a person subject to the 180a PGR Act). In one other case in which a trust company no longer had a general manager, the FMA issued a decree requiring restoration of a lawful state of affairs and a limited prohibition on the establishment of new business relationships.

## Operational focus areas

Focus areas included providing information to supervised persons and entities about the new law, responding to numerous enquiries, clarifying questions of interpretation, and undertaking various audits.

In January, the FMA in consultation with the Liechtenstein Institute of Professional Trustees and Fiduciaries sent a letter to all professional trustees and trust companies informing them about the most important changes in the comprehensively revised PTA. The professional trustees and trust companies could use this information to derive any necessary actions. In a second letter in June, the FMA reminded the affected professional trustees and trust companies of the deadline for adjusting their liability insurance to the new requirements and the legal consequences. Gratifyingly, almost all professional trustees and trust companies supplied the necessary proof. The result of the audit was positive. Supervisory proceedings were initiated only in the case of two supervised persons or entities.

In October, The FMA sent a letter to several trust companies again informing them of the requirement to notify qualifying holdings and foreign activities. Qualifying holdings had to be notified in writing



by 1 January 2015 with an indication of the amount of the holding and the holder. Foreign representative offices, branches, and subsidiaries also had to be notified. The FMA verified that the submitted notifications were in conformity with the law, and it compiled the relevant data.

Another focus was on combating abuse by taking appropriate measures and imposing penalties. Cooperation was also strengthened with the Office of the Public Prosecutor, the courts, and the Office of Justice.

## Outlook

The new disciplinary law governing professional trustees and trust companies enters into force on 1 January 2015. Violations of the code of conduct (disciplinary offences) will be decided in the first instance by a Professional Ethics Committee that is not bound by instructions. The new Professional Trustees Act governs cooperation between the Professional Ethics Committee and the courts and administrative authorities, in particular the FMA, through

Figure 13  
Other financial intermediaries supervised by the FMA

Other financial intermediaries	2011	2012	2013	2014	+/-
Professional trustees	79	70	65	76	11
Professional trustees with a restricted licence	21	21	21	29	8
Trust companies	263	259	254	251	-3
Trust companies with a restricted licence	29	28	26	24	-2
Auditors <sup>1)</sup>	23	33	35	37	2
Auditors established in Liechtenstein <sup>1)</sup>	0	3	4	4	0
Auditors engaged in free movement of services <sup>1)</sup>	9	37	43	42	-1
Audit companies <sup>1)</sup>	24	24	26	26	0
Audit companies engaged in free movement of services <sup>1)</sup>	22	22	22	20	-2
Patent lawyers	9	8	8	9	1
Patent law firms	3	3	3	3	0
Persons with a certification under art. 180a PGR <sup>2)</sup>	533	535	518	2	-516
Persons with a licence under art. 180a PGR <sup>2)</sup>				230	230
Exchange offices <sup>3)</sup>	0	0	0	0	0
Real estate brokers <sup>3)</sup>	7	7	0	0	0
Dealers in goods <sup>3)</sup>	11	4	4	0	-4
Casinos	0	0	0	0	0
Other persons subject to due diligence <sup>3)</sup>	32	29	31	31	0
Lawyers <sup>4)</sup>	10	15	10	10	0
<b>TOTAL</b>	<b>1075</b>	<b>1098</b>	<b>1070</b>	<b>794</b>	<b>-276</b>

1) Information based on the register of auditors referred to in art. 6b AAC

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

mutual rights and duties to inform. With a view to efficient and effective cooperation, the Professional Ethics Committee and the FMA will harmonize their approach.

In 2015, the FMA will conduct further audits of the notification received about qualifying holdings and foreign activities. Until the end of the transitional period, further applications for activation of dormant professional trustee licences will be considered. Additionally, the work on implementation of Directive 2013/55/EU (amending the EU directive on the recognition of professional qualifications) will be continued by way of amendment of the PTA.

### 1.5.2 Persons subject to the 180a Act

#### Licences

In 2014, 212 180a certifications were converted into a licence. 57 persons entitled under 180a waived the option of having their certification converted into a licence.

#### Ongoing supervision

The extensive implementation work (instructions, forms, processes, expansion of the FMA website, etc.) necessary for enforcement of the newly created Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act) was completed in a timely manner. On the basis of the list transmitted by the Office of Justice, the persons entitled under article 180a PGR were published for the first time.

The newly created supervision entailed considerable extra work for the FMA. Initial work was caused by the need to process numerous applications for conversion of entitlements under article 180a PGR into licences under the 180a Act. The focus was on verification of the requirement of trustworthiness (personal integrity), in consultation with the Office of the Public Prosecutor and the Court of Justice. In total, the FMA issued 212 licences. Because most licensees did not request a formal decree, only 33 were issued. A large volume of data was gathered in the system for the first time, and files were established.

The 180a Act led to a consolidation in that 57 persons waived the option of having their certifications converted into licences. The FMA responded to more than 120 enquiries, some of which entailed considerable research and clarification work, especially in connection with the transitional provisions (vested rights, status). The cooperation established with the Office of the Public Prosecutor, the courts, and the Office of Justice was very positive.

#### Combating abuse

Performing activities under article 180a PGR is subject to a licence. The FMA monitors compliance with the licensing requirement as well as the proper use of the term “persons under article 180a PGR” and similar titles and designations. It investigates any leads indicating that activities under article 180a PGR are being performed without a licence or that protected titles and designations are being used by non-licensed persons. If there is well-founded suspicion that a violation has occurred, the FMA initiates supervisory proceedings and takes the necessary measures.

The FMA also verifies permanent compliance with the licensing conditions. If there are reasons to suspect that these conditions are no longer met, the FMA initiates supervisory proceedings and takes the necessary measures, including imposing any penalties.

In 13 cases, the FMA undertook clarifications with the Office of the Public Prosecutor, the Court of Justice (e.g., by inspecting files), and the persons concerned regarding ongoing criminal proceedings or entries in the collections register. The FMA examined whether the licensing conditions regarding trustworthiness were met. In two cases, the FMA suspended the supervisory proceedings because diversionary measures had been agreed. In one other case, the FMA issued a decree denying the application for conversion into a licence due to lack of trustworthiness, and it prohibited the person from engaging in activities under article 180a PGR. The FMA Complaints Commission (FMA-CC) dismissed the subsequent complaint. At the end of 2014, the case was pending before the Administrative Court. In the other cases, the licence could either be granted, e.g., because the criminal proceedings were discontinued, or the criminal proceedings are still pending.

In one case, the FMA filed criminal charges with the Office of the Public Prosecutor on suspicion of a misdemeanour under the 180a Act (unauthorized performance of activities). The FMA issued a written warning to one person due to a first violation of a reporting obligation.

In another case, after consulting with the Office of Justice, the FMA issued a decree denying the application for conversion into a licence because the person concerned was not entitled to perform activities under article 180a PGR independently even under the old law. Once again, the FMA-CC supported the FMA's

decree in this case. The Administrative Court issued a judgment dismissing the complaint filed against the FMA-CC's ruling and confirmed the ruling.

### Operational focus areas

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Focus areas included providing information to newly supervised persons about the 180a Act, responding to numerous enquiries, clarifying questions of interpretation, establishing files, compiling and processing data, and undertaking verifications of trustworthiness for 214 conversion applications as well as processing numerous new applications.

In January, the FMA sent a letter to all persons with an entitlement under article 180a PGR informing them about the most important changes, deadlines, and transitional provisions of the new law. In particular, information was provided on how and when to convert existing entitlements into licences. With a second letter in June, the FMA reminded those persons who had not yet submitted an application about the deadline for conversion and the legal consequences. Another focus area was on strengthening cooperation with the Office of the Public Prosecutor, the courts, and the Office of Justice.

### Outlook

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In 2015, the FMA will continue to process new applications and changes, monitor compliance with the licensing conditions, and take measures and impose penalties where appropriate. The FMA will also await the outcome of pending criminal proceedings against certain persons subject to supervision. If the FMA concludes that trustworthiness is lacking, it will withdraw the licence in question. The FMA will also pay particular attention to compliance with the legal reporting obligations.

### 1.5.3 Auditors and audit companies

#### Admission to examinations/Licences

Five applicants registered for the qualifying examination and four for the admission examination under the AACAs; two candidates passed the qualifying examination and two candidates passed the admission examination. One candidate withdrew from the qualifying examination.

As of 31 December 2014, there were 129 persons with a licence under the AACAs. This number included 37 auditors, 42 auditors engaged in the free movement of services, 4 foreign auditors established in Liechtenstein, 26 audit companies, and 20 audit companies engaged in the free movement of services. The number was stable compared with the previous year (2013: 130).

#### Ongoing supervision

##### Quality controls

In the four reviews conducted in 2014, there were a total of nine findings. These essentially concerned the practice-internal processes for accepting and continuing mandate relationships, which – while documented in the proper way – were not concluded before the audit activity commenced. 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.

##### Quality assurance handbook

In light of the SME-based structure of the audit market in the Liechtenstein financial centre and the multiplicity of audit standards applicable in Liechtenstein (see article 3 of the Quality Assurance Audit Ordinance), the FMA has published a quality assurance handbook as a sort of scaling guideline. Using a checklist, the handbook presents possible quality assurance aspects for statutory audits and takes account of special features of the SME environment that require suitable quality assurance given the size and complexity of the mandates. Additionally, the differences between the quality assurance requirements under the Swiss Principles for Statutory Audits (GzA) and the International Standards on Auditing (ISA) are presented as an orientation guide.

##### Auditor workshops

The FMA held three auditor workshops in the first half of the year. In addition to current topics relating to due diligence supervision, special aspects of quality assurance were examined. The focus was on the FMA's supervisory concept for quality control, audit findings on quality assurance independent of the mandate (firm review) and relating to the mandate (file review) in the international context, root causes of possible deficiencies, the FMA quality assurance handbook, as well as aspects of scaling quality assurance in practices in the SME environment.

##### 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 supervisory and technical aspects. Core issues were the comprehensive revision of the AACAs,

the recast EU Statutory Audit Directive and its transposition into national law, as well as international cooperation between the FMA and foreign audit supervisors.

### **Combating abuse**

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Performing activities under the AACa on a professional basis is subject to a licence. The FMA monitors compliance with the licensing requirement as well as the proper use of the professional title "auditor" and any equivalent professional or business designation or name. It investigates any leads indicating that audit activities are being performed without a licence or that protected titles or designations are being used by non-licensed persons. If there is well-founded suspicion that a violation has occurred, the FMA initiates supervisory proceedings and takes the necessary measures.

The FMA also verifies permanent compliance with the licensing conditions. If there are reasons to suspect that these conditions are no longer met, the FMA initiates supervisory proceedings and takes the necessary measures, including imposing any penalties.

Due to an enquiry of a general nature addressed to the FMA, the suspicion arose that an audit expert licensed in Switzerland had for many years carried out activities subject to a licence in Liechtenstein without being in possession of a licence under the AACa. For that reason, the FMA filed criminal charges with the Office of the Public Prosecutor. Due to a lack of sufficient reasons to issue an indictment, the Office of the Public Prosecutor discontinued the preliminary investigations conducted by the court. In this case, the FMA cooperated with the Swiss Federal Audit Oversight Authority (FAOA) within the framework of a memorandum of understanding.

To combat abuse on a preventive basis, meetings were held with numerous licence holders faced with changes to their licensing conditions due to restructuring measures. The FMA played a supportive role in these meetings. In this way, potential violations of the relevant AACa provisions could be avoided.

The AACa is the only financial market supervision law that grants the FMA responsibility for enforcing disciplinary law. In two cases, the FMA held meetings with the persons concerned as part of preliminary enquiries about potential disciplinary offences. In both cases, there were no sufficient grounds for initiating disciplinary proceedings, so that the preliminary investigations were discontinued.

### **Operational focus areas**

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#### **Quality controls**

After implementation into national law, the FMA carried out consolidated due diligence and quality controls of auditors and audit companies for the second time during the reporting year. Quality control is a key element of the European Statutory Audit Directive. It also applies in Liechtenstein. The reviews covered the quality assurance system applied throughout the firm in the practice of auditors (firm review). The focus of these reviews is to assess the effectiveness of the quality assurance system. The FMA looks at whether the employees know and apply the available instruments for quality assurance. The requirements of the Swiss Principles for Statutory Audits (GZA) constitute the minimum basis for quality assurance.

### **Outlook**

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The focus in the year 2015 will be on the comprehensive revision of the AACa and the associated implementation of the new Statutory Audit Directive

(Directive 2014/56/EU) and Regulation (Regulation No 537/2014). The new Auditor Act is scheduled to enter into force by mid-2016 at the latest.

In the first review cycle, the quality assurance reviews of auditors and audit companies will cover the quality assurance system used throughout the firm (firm review) in accordance with article 12b(3) AACRA. 2015 is the third year of the six-year review cycle. The consolidated due diligence and quality controls begun in the past two review years will be continued in 2015. As a member of the European Audit Inspection Group (EAIG), the FMA will continue its intensive exchanges with European audit supervisors. A special aspect in this regard is the implementation of a Common Audit Inspection Methodology for quality controls.

#### 1.5.4 Patent lawyers and patent law firms

##### Admission to examinations/Licences

There were no applications for examinations under the Patent Lawyers Act in 2014, so that no examinations were held.

The number of patent lawyers and patent law firms increased by one patent lawyer. The total number of persons licensed under the PLA at the end of 31 December 2014 was 12 (2013: 11).

#### 1.5.5 Supervision pursuant to the DDA

##### Supervision

Out of a total of 456 financial intermediaries approached, 340 carried out activities subject to due diligence. 83 due diligence inspections took place, some of which on a consolidated basis. 16 inspections were accompanied by the FMA. Three consolidated due diligence and quality controls of auditors were carried out by the FMA itself. The FMA also approached 50 dealers in goods, 6 nominee shareholders, and 18 real estate brokers.

##### Regular inspections

Four reports on the regular due diligence inspections resulted in measures. In one case, a suspicious activity report had to be submitted retroactively to the FIU, and due to various deficiencies, the audit frequency was increased. In the case of one financial intermediary, the increased audit frequency was maintained, and a revision of all mandates was ordered, including business profiles and PEP checks. Another report found various violations. For instance, no due diligence files were being compiled and a suspicious activity report to the FIU was omitted. During one accompanied inspection, a systemic error was found relating to the risk profile and PEP check. Due to these systemic errors, the FMA called upon the financial intermediary to revise its entire portfolio of mandates.

##### Extraordinary inspections

Extraordinary inspections are carried out under the DDA if doubts arise concerning compliance with due diligence obligations or if there are circumstances that appear to endanger the reputation of the financial centre. On the basis of media articles relating to Ukraine, an extraordinary inspection had to be

conducted. During one accompanied inspection, deficiencies were identified in regard to mandates the inspected financial intermediary had transferred from another financial intermediary. The sample was therefore expanded to cover other transferred mandates. The poor result caused the FMA to order an extraordinary inspection of all transferred mandates. In the case of one financial intermediary already subject to an increased audit frequency, the FMA held meetings with the auditor. The audit report found deficiencies in particular in regard to the monitoring of one critical mandate. The FMA ordered an extraordinary inspection.

#### **Other measures**

In total, 23 clarifications had to be undertaken because of doubts concerning compliance with due diligence obligations or circumstances that appeared to endanger the reputation of the financial centre. Additionally, five administrative criminal proceedings were initiated, four criminal charges were filed, and two reports were submitted to the FIU. Four fines were imposed by decree.

#### **Operational focus areas**

The focus of supervision was on planning, carrying out, and accompanying regular due diligence inspections as well as evaluating the resulting inspection reports. Another important component of the FMA's annual planning in the field of supervision included feedback discussions with auditors, in which the completed regular due diligence inspections and reports were discussed.

The regular due diligence inspections were carried out by auditors and audit companies. Roughly every fourth inspection was accompanied by FMA employees. This promotes the important, constructive exchange with financial intermediaries as well as auditors. For the first time in 2014, an in-depth

audit of individual risk management was carried out on behalf of the FMA. This audit includes the definition of individual criteria for the identification and intensified monitoring of business relationships and transactions with higher risks. The auditors were asked to draw 50% of their samples from mandates that were considered higher risk in accordance with individual risk management. If this was not possible due to the number of mandates, the samples had to be expanded to include higher risks as defined by law. This approach was discussed in detail during the auditor workshops. When the audit mandate was sent out in April, the persons subject to due diligence were subsequently also informed.

The auditors and audit companies mandated by the FMA and the FMA itself audited a total of 322 financial intermediaries covering 1,408 business relationships. A total of 357 deficiencies were identified in the audits. These primarily related to the identification and verification of contracting parties and beneficiaries as well as the business profiles.

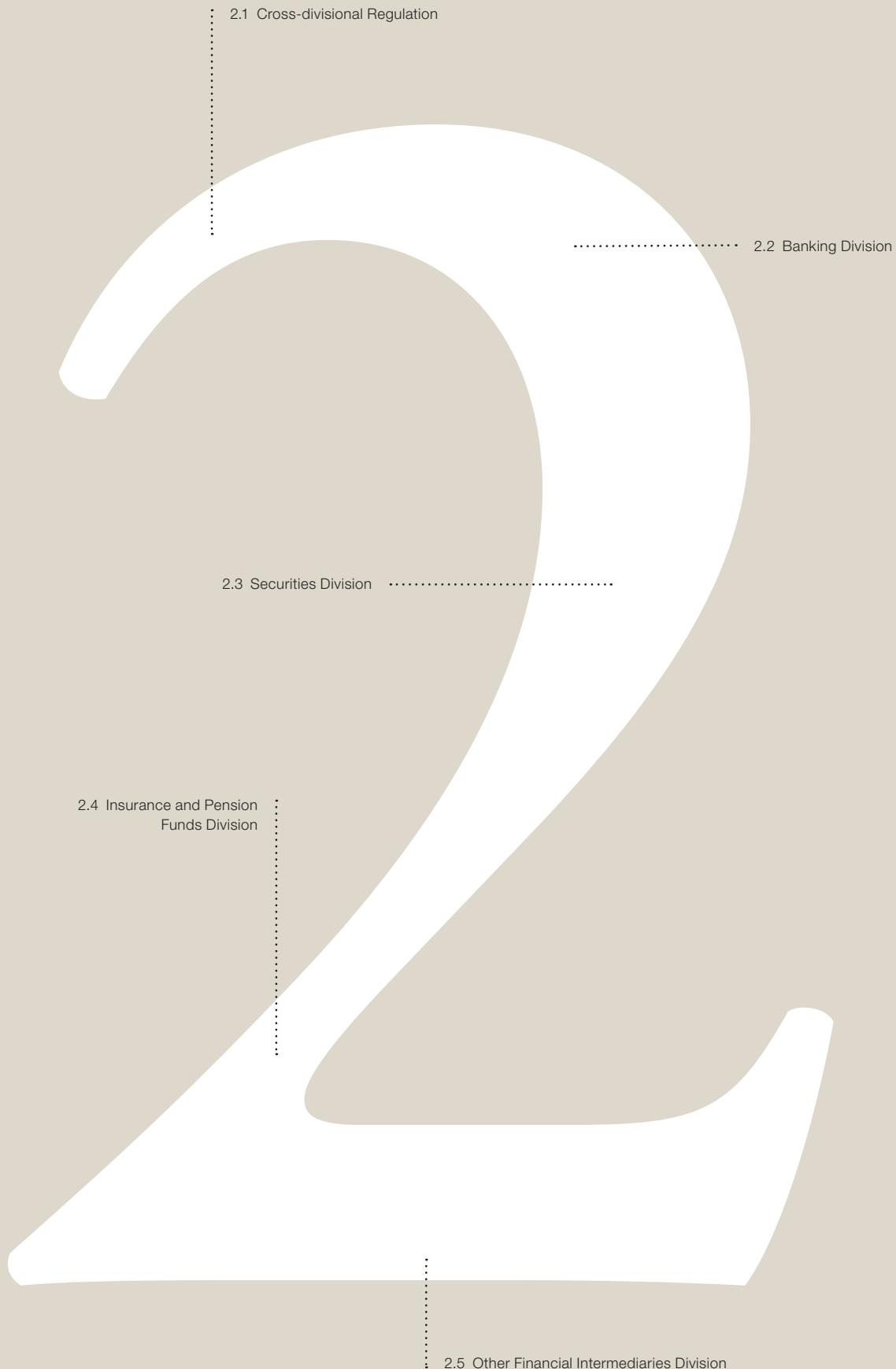
#### **Outlook**

Since 2013, compliance with the Law on Administrative Assistance in Tax Matters with the United Kingdom (UK TIEA Act) is also audited as part of regular due diligence inspections. The audits are coordinated with the chair of the UK TIEA Audit Committee. This procedure will also apply for the first time in 2015 to monitoring compliance with the provisions of the final withholding tax agreement with Austria and must be coordinated with the competent offices. The in-depth audit on individual risk management will be carried out again in 2015 and 2016. This will ensure that all persons subject to due diligence undergo this in-depth audit at least once.

### 1.5.6 Levy of supervisory taxes

The implementation of the new supervisory tax model led to considerable extra work. In addition to processing tax collection for the year 2013, a new software platform for the new supervisory tax model had to be tested and made operational for the supervisory taxes levied during the reporting year. Complaints were filed against the new tax model. Pursuant to an appellate decision, some of the taxes collected among a subsection of professional trustees had to be reimbursed. A decision by the Constitutional Court confirmed that the FMA is set up in a constitutional manner and is authorized to issue supervisory tax decrees. Warnings were issued to several taxpayers in default, and collection proceedings were initiated.

The goal in 2015 is to further improve efficiency by increasing the level of software automation. The last complaints proceedings concerning supervisory taxes levied under the old model will be concluded at the trial level.



The continuing wave of regulation has been a burden for the Liechtenstein financial intermediaries, the Government, Parliament, the Administration, and the FMA. The overdue incorporation of the regulations on the European Supervisory Authorities (ESAs) into the EEA Agreement has made this work even more complex.

Also striking during the reporting period was the increase in on-site inspections by the ESAs of the FMA's implementation of regulations. The ESAs conducted detailed reviews of the implementation and application of regulatory provisions in supervisory practice. These inspections showed that the already strongly harmonized, rule-based, and detailed financial market regulation must be reflected at all levels, including supervisory practice, and that existing minor accommodations of the particularities of the Liechtenstein financial centre must be re-examined.

For instance, given the lack of a stock exchange in Liechtenstein, regulations governing market and trading have been implemented into national law with restraint so far and in line with market realities. Due to the changes in the supervisory and regulatory regime after the financial crisis and the associated increase in the regulatory density, discretion that previously existed in the implementation of regulation can no longer be used. Because of this, it tends to be less possible than before to adjust regulations to the local circumstances and the small size of the market.

## 2.1 Cross-divisional Regulation

### Pending Regulatory projects

During the reporting period, the FMA was involved in numerous regulatory projects. These included the recast Markets in Financial Instruments Directive (MiFID II), the recast Market Abuse Directive (MAD II), as well as rules relating to market and trading.

The Government appointed a steering committee consisting of representatives of the business associations and public authorities in order to ensure that implementation of MiFID II is as close to the market as possible. A market workshop also took place, in which MiFID II and the MiFIR regulation were presented, challenges and opportunities were discussed, and benchmarks for implementation were jointly defined. The work on the draft laws will be undertaken in 2015.

The FMA is closely involved in the implementation of the recast EU Market Abuse Directive. The provisions on market abuse and insider trading will be strongly expanded with the recast directive, entailing additional work and costs among both financial intermediaries and the FMA. The requirements under the recast Market Abuse Directive will become applicable in Liechtenstein together with the provisions of MiFID II on 3 January 2017.

The FMA also dealt with other financial market regulations enacted since the financial crisis, including on short selling, central counterparties and trade repositories for OTC derivatives (EMIR), credit rating agencies (CRAs), central securities depositories (CSDs), and aspects of the market infrastructure addressed in MiFIR/MiFID II. During the reporting

period, preparatory work for implementation of the regulations was undertaken, and implementation of the regulations was touched upon in the course of ongoing supervision. Incorporation of these rules into the EEA Agreement is still pending, given that the EU regulations on the European Supervisory Authorities have likewise not yet been incorporated into the Agreement. Now that a political agreement was reached in 2014 between the EEA/EFTA countries and the EU, the next step will be to complete technical implementation.

## 2.2 Banking Division

### Pending regulatory projects

#### Amendments to the Banking Act

As a reaction to the 2008 financial market crisis, the European Union enacted Directive 2013/36/EU and Regulation (EU) No 575/2013, referred to as the CRD IV package. In particular, these enactments take account of the Basel III rules.

The Capital Requirements Directive (CRD IV) includes provisions on authorization as a credit institution as well as supervision of credit institutions and investment firms. In particular, it governs the preconditions for the authorization of banks and investment firms, freedom of establishment and free movement of services, relations with third countries, internal corporate governance, and banking supervision. New capital buffers and new penalty rules are also part of the directive. The Capital Requirements Regulation (CRR) defines supervisory requirements for credit institutions and investment firms.

For Liechtenstein, implementation of European financial market law arises on the one hand from the obligations set out in the EEA Agreement. On the other hand, the Liechtenstein banking centre requires timely implementation of the Basel III standards in order to satisfy the equivalency requirements for international business activities as well as to ensure international market access. Consequently, the changes required under the CRD IV package had to be transposed into Liechtenstein law as quickly as possible.

Implementation of the CRD IV package entailed substantial effort and resulted in extensive amendments to the Banking Act and the Banking Ordinance. In addition to defining tighter capital and liquidity requirements for banks and investment firms, capital buffers and stricter principles of corporate organization as well as provisions governing external ratings were introduced. Beyond this, a new category of investment firm – namely the investment firm with administration rights – was created. Finally, the framework for penalties was adjusted to the European requirements, a whistleblowing office was established at the out-of-court mediation office, and a legal basis was created for the publication of perpetrators and penalties.

EU members had to implement 2013/36/EU by 31 December 2013. At the end of 2014, the directive and the regulation were still in the incorporation phase at the level of the EEA Agreement. The Liechtenstein Parliament decided that the amendments to the Banking Act would enter into force on 1 February 2015, regardless of whether the directive would be incorporated into the EEA Agreement by that time. Regulation (EU) No 575/2013, which has direct effect after incorporation into the EEA Agreement, is considered legally binding in Liechtenstein until

then by way of a simplified promulgation. The amendments to the Banking Ordinance will also enter into force on 1 February 2015.

In particular, the amendments include detailed rules on the capital buffer and risk management provisions as well as on corporate governance. The latter include, for instance, provisions on the risk, remuneration, and nomination committee, remuneration practice and policy, and mandate limits for members of governing bodies.

### **Regulation on OTC derivatives, central counterparties and trade repositories (EMIR)**

Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) is intended to reduce the risks associated with over-the-counter derivative contracts as well as to improve the transparency of derivative contracts. Key points of EMIR include a comprehensive reporting obligation to a trade repository when derivative contracts are concluded, a central clearing obligation for certain standardized derivative contracts, the obligation to employ techniques to mitigate the risk of counterparty default in connection with derivative contracts that are not centrally cleared, and harmonization of authorization, supervision, and organization requirements for trade repositories and central counterparties.

Although EMIR as a regulation has direct effect once it is incorporated into the EEA Agreement, it requires transposition in regard to competent authorities, penalties, and practical implementing provisions. Completion of this transposition is planned for 2015.

### **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.

Banks and investment firms are required to establish a recovery plan. The recovery plan must set out the measures to be taken by the management of the institution or group company if the financial situation deteriorates in order to restore financial stability. The BRRD also requires the establishment of resolution plans by a resolution authority. The resolution plan must include resolution actions to be taken in the event of a crisis to ensure the continuation of systemic functions and the remaining parts of the company.

In the course of implementation of a national resolution financing arrangement and to ensure effective application of the resolution tools by the resolution authority, the banks and investment firms must raise 1% of all covered deposits of the institutions by 31 December 2024 for the purpose of resolution.

The implementation deadline for the BRRD within the EU was 31 December 2014. At the end of 2014, the directive was still in the incorporation phase at the level of the EEA Agreement. Implementation in Liechtenstein is planned by mid-2016.

### **Amendments to administrative assistance rules**

With its judgment of 1 July 2014 (StGH 2013/50), the Constitutional Court found significant provisions on administrative assistance set out in the Financial Market Authority Act (FMA Act) to be unconstitutional and voided them.

The new version of these rules must in particular also take account of the standards of the International Organization of Securities Commissions (IOSCO) and the EU (especially ESMA). Moreover, with a view

to Regulation (EU) No 596/2014 on market abuse (Market Abuse Regulation, MAR), which is being incorporated into the EEA Agreement, an effective administrative assistance regime must be established, ensuring rapid provision of administrative assistance. These principles must be reconciled with the constitutional requirements established by the Constitutional Court. Compliance with the international rules is necessary for the access of Liechtenstein financial intermediaries to international financial markets.

The Constitutional Court deferred legal effect of the judgment for one year after its publication, which was on 11 December 2014. The FMA can therefore continue to render administrative assistance in accordance with existing practice and the required international standard until December 2015. At that time, the new rules must enter into force.

### Implementation of SEPA

The term SEPA (Single Euro Payments Area) stands for a uniform area for payment transactions in euros. Within this area, the development of common, Union-wide payment services for electronic payments in euros, replacing current national payment services, will no longer distinguish between national payments and cross-border payments. This means SEPA will lead to realization of a uniform single market for cashless payment transactions. Apart from the 28 EU member states, this will also cover Liechtenstein, Iceland, Norway, Monaco, and Switzerland.

The basis for SEPA is EU Directive 2007/64/EC, which was already implemented in Liechtenstein with the Payment Services Act (PSA). Since then, the Single Euro Payments Area has been available in parallel with the national payment services. Due to this parallel operation, the intended efficiency gains have not yet been achieved.

As part of this regulatory project, the definitions of infractions were adjusted to the European requirements. The legislative amendments entered into force on 27 January 2015, although some infractions will only become punishable effective 1 November 2016.

## 2.3 Securities Division

### Completed regulatory projects

#### Market Abuse Act

On 7 November 2014, the Liechtenstein Parliament adopted amendments to the Market Abuse Act (MAA) that had become necessary in connection with the reporting and publication of insider information. On 25 November 2014, the Government adopted the changes to the Market Abuse Ordinance (MAO). The FMA participated intensively in the drafting of the two enactments. The MAA was published in the Liechtenstein Law Gazette on 23 December 2014 and the MAO on 28 November 2014. The changes to the MAA and the MAO will enter into force on 1 January 2015.

### Pending regulatory projects

#### Regulation on European venture capital funds

On 17 April 2013, the European legislative power adopted the Regulation on European venture capital funds (EuVECA). For qualifying venture capital funds, the regulation creates uniform rules for marketing, composition of the portfolios, permitted investment tools and techniques, and for the organization, conduct, and transparency of the fund managers. The managers of European venture capital funds are subject to a registration requirement. In return, they receive an EU passport entitling them to market venture capital funds throughout the EU.

The process of incorporating the regulation into the EEA Agreement is underway. National implementation in Liechtenstein will be accomplished by adjusting the AIFM Act.

### **Regulation on European social entrepreneurship funds**

Also on 17 April 2013, the European legislative power adopted the Regulation on European social entrepreneurship funds (EuSEF). This regulation is intended to provide a high degree of clarity in regard to the characteristics that distinguish social entrepreneurship funds from the broader category of alternative investment funds. Only funds to which these characteristics apply may obtain financing with the help of the European framework for social entrepreneurship funds created by the regulation. Managers of EuSEFs are subject to a registration requirement. In return, they receive an EU passport entitling them to market social entrepreneurship funds throughout the EU. The process of incorporating the regulation into the EEA Agreement is underway. National implementation in Liechtenstein will be accomplished by adjusting the AIFM Act.

### **UCITS V Directive**

On 23 July 2014, the European legislative power adopted the directive amending the UCITS IV directive on undertakings for collective investment in transferable securities (UCITS V). This directive is intended to establish uniform rules on the duties and liability of depositaries as well as remuneration policy and sanctions. Under the leadership of the Office for International Financial Affairs (SIFA), the FMA and the market participants developed a draft law amending the UCITS Act, which will be circulated for consultations at the beginning of 2015.

### **Investment Undertakings Act**

Under the leadership of SIFA, the FMA and the market participants are preparing a proposed Investment Undertakings Act (IUA) that will cover certain aspects of the existing IUA once the latter expires as planned when the AIFM Directive is incorporated into the EEA Agreement. The scope of application will cover investment undertakings for individual investors, families, and interest groups. A clear delineation between UCITS funds and AIFs is the precondition. The draft law is scheduled to be finished by the end of January 2015.

### **Outlook**

Numerous new regulatory projects are on the near horizon, which either have already been adopted at the European level or have already progressed very far. These include in particular the rules on rating agencies, central depositories, transparency requirements, short selling, UCITS VI, MAD II, packaged retail investment products (PRIIPs), and European Long-Term Investment Funds (ELTIFs). 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**

#### **Preparatory guidelines for Solvency II**

In order to create convergent, efficient, and effective supervisory practices, the European Insurance and Occupational Pensions Authority (EIOPA) has the option of issuing guidelines to enhance common, uniform, and coherent application of Union law (Level 3). The FMA publishes the applicable guidelines in FMA Communication 2013/1.

Early preparation of insurance undertakings for Solvency II is of the utmost importance. For this reason, EIOPA has adopted guidelines on the governance system, forward-looking assessment of own risks, submission of information to national competent authorities, and pre-application of internal models. These guidelines are intended to ensure that insurance undertakings and the FMA will be able to apply the new system when the regime enters into effect. The affected insurance undertakings have been informed in advance. The guidelines entered into effect on 1 January 2014.

### **Guidelines on the use of the Legal Entity Identifier (LEI)**

By assigning an identification code, the EIOPA guidelines on the use of the Legal Entity Identifier (LEI) are intended to ensure unique identification of insurance and reinsurance undertakings and groups as well as institutions for occupational retirement provision. Insurance and reinsurance undertakings and groups are called upon to apply for the LEI by 30 June 2015, IORPs by 30 June 2016.

### **Guidelines on complaints-handling by insurance intermediaries**

At the end of 2013, EIOPA published guidelines on complaints-handling by insurance intermediaries. These guidelines are intended to ensure uniform handling of client complaints by intermediaries within the EEA. With an amendment to FMA Communication 2013/1 effective 16 July 2014, the guidelines on complaints-handling by insurance intermediaries were declared applicable.

### **Pending regulatory projects**

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

The most important regulatory project in the insurance field is implementation of Solvency II (2009/138/EC). With Solvency II, the previous European insurance

directives were repealed and recast on grounds of clarity. Solvency II, amended by the Omnibus II Directive (2014/51/EU) entails a fundamental new orientation for calculating the capital requirements of insurance undertakings and far-reaching changes to supervisory processes and instruments.

The regulatory implementation work for Solvency II began already in 2009. A first consultation on the comprehensive revision of the Insurance Supervision Act and a partial revision of other ancillary enactments were undertaken in 2011. Once the final Solvency II Directive became available, the existing draft law had to be extensively rewritten. The second consultation was carried out in autumn 2014. The readings in Parliament are scheduled to take place in March and June 2015. The new supervisory regime is expected to enter into effect on 1 January 2016 and should be implemented into national law by 1 September 2015.

### **Cross-border risks**

A questionnaire was used to conduct a situation analysis of cross-border risks among Liechtenstein life insurers in 2014. The results of the evaluation were incorporated into the FMA's ongoing supervisory work and discussed with the undertakings. At the same time, the core questions concerning cross-border risks were integrated into the annual reporting form. They will therefore be examined by the external auditors as part of their audits of the insurance undertakings.

### **Occupational Pensions Act**

Because of the major changes in the pension environment and the need for equivalence of the Liechtenstein legal framework with that of Switzerland in view of the association of Liechtenstein pension schemes with the BVG Guarantee Fund under the Swiss Federal Act on Occupational Old Age, Survivors'



and Invalidity Pension Provision (BVG), a revision of the Occupational Pensions Act (OPA) has become necessary. Key elements of the reform will be an increase in the benefit level and a strengthening of the governance provisions. The streamlined OPA legislation has proven itself, which is why the revision will pay attention to maintaining this basic structure and avoiding overregulation.

The revision will be undertaken in particular with the involvement of the Liechtenstein Pension Fund Association (LPKV). The LPKV and other stakeholders were invited by the competent ministries to participate in discussion rounds in September and December. The participants agreed on the need to increase the benefit level and to strengthen the governance provisions.

The revision work on the OPA begun in the third quarter is now far advanced. Consultations are to be held in spring 2015. Entry into force of the revised OPA is planned for 1 January 2017.

Trustees Act. Based on this agreement, the FMA elaborated a draft for a new Auditor Act in collaboration with the Ministry for General Government Affairs and Finance and with the involvement of the WPV. The WPV approved the draft.

#### **Amendment of the EU Professional Qualifications Directive**

Under the leadership of the EEA Coordination Unit, the FMA began its work on implementation of the EU Professional Qualifications Directive 2013/55/EU and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System (IMI Regulation). Clarifications showed that the amendments to the Professional Qualifications Directive should be implemented in the Professional Trustees Act and the Patent Lawyers Act. Auditors are not affected, because they are subject to the EU Statutory Audit Directive. The core point of the implementation in regard to professional trustees and patent lawyers is partial access to the profession. There are no plans to introduce a professional card for these professions.

#### **Amendment of the EU Statutory Audit Directive**

Pursuant to a Government decision on 9 September 2014, the EU Statutory Audit Directive 2014/56/EU and Regulation (EU) No 534/2014 will be implemented as part of the comprehensive revision of the AACAs. The working group appointed by the Government for this purpose, composed of representatives of the Ministry for General Government Affairs and Finance, the EEA Coordination Unit, the Liechtenstein Association of Auditors (WPV), and the FMA. In principle, it was decided that the AACAs would be comprehensively revised and adjusted to the structure and systematology of the new Professional

## **2.5 Other Financial Intermediaries Division**

### **Pending regulatory projects**

#### **Comprehensive revision of the AACAs**

The FMA continued work on its proposed revision of the Auditors and Audit Companies Act (AACAs). Several meetings took place with the participation of the competent Ministry for General Government Affairs and Finance, the EEA Coordination Unit, the Liechtenstein Association of Auditors (WPV), and the FMA. In principle, it was decided that the AACAs would be comprehensively revised and adjusted to the structure and systematology of the new Professional



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### 3.1 National external relations

#### Information event on occupational pensions

In 1989, Liechtenstein introduced the statutory requirement for occupational pension provision. At a public event hosted by the Ministry for Home Affairs, Justice and Economic Affairs in cooperation with the FMA on 14 November 2014 in Vaduz, the importance, trends, and need for action to ensure a secure and sustainable second pillar of the pension system were discussed. About 150 people attended the event.

The focus of the anniversary event was on the challenges facing the second pillar due to demographic changes, rising life expectancy, changing forms of life and work, and changes to the economic environment. These questions were illuminated with the help of proven experts in the field: Jürg Brechbühl, Director of the Swiss Federal Social Insurance Office, Hanspeter Konrad, Director of the Swiss Pension Fund Association (ASIP), and Walter Ackermann, University of St. Gallen.

The Occupational Pensions Act (OPA) is being revised in 2015. For that purpose, the FMA has summarized facts and figures on occupational pension provision in Liechtenstein in an informative brochure. The brochure is intended to provide a contribution to the discussions relating to the upcoming revision and give better definition to the second pillar of the pension system. The brochure is available for download from the FMA website, [www.fma-li.li](http://www.fma-li.li).

#### Cooperation with the University of Liechtenstein

With the increasing density of regulation, the importance of strategies and systems to prevent violations (compliance) is steadily increasing for financial

service providers. Compliance has a high preventive impact, thus helping to ensure that violations do not occur. Naturally, the FMA has an interest in ensuring that the supervised companies engage in effective compliance.

The precondition is the availability of experts with the necessary knowledge. In the reporting year, the FMA supported the Institute for Financial Services at the University of Liechtenstein in developing a training programme for that purpose. The Compliance Officer certificate 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 certificate programme conveys content in the field of compliance while taking account of international, European, and national legal rules. It begins in February 2015 and lasts one year. The FMA has a high level of expertise at its disposal in this field and provides lecturers to the University of Liechtenstein for individual course modules.

During the reporting year, the FMA provided several other lecturers for courses at the University of Liechtenstein. Several representatives of the FMA also spoke at conferences hosted by the university.

### 3.2 International external relations

Again in 2014, the FMA's international external relations were heavily influenced by the work of the European Supervisory Authorities EBA, ESMA, and EIOPA. The efforts to strengthen bilateral cooperation were continued successfully in the reporting year. The FMA signed a cooperation agreement relating to cross-border fund distribution with the Swiss Financial

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Market Supervisory Authority (FINMA) and an agreement on the supervision of banks, investment firms, and professional trustees with the British Virgin Islands Financial Services Commission (BVIFSC). In 2014, the FMA also joined the European Audit Inspection Group (EAIG) as a member.

Finally, the conclusion of the International Monetary Fund's (IMF) fourth-round assessment of Liechtenstein's compliance with international anti-money-laundering standards was another operational focus area.

### Liechtenstein Islamic Finance Conference

On 28 October 2014, the FMA and the University of Liechtenstein hosted an international conference in Schaan on Islamic Financial Services and Sustainability. Renowned experts from financial centres such as Dubai, Bahrain, Singapore, London, and Zurich appraised the potential of Islamic finance for the Liechtenstein financial centre. The basics of Islamic financial services and business opportunities for financial market participants were illuminated. Islamic finance is an approach to finance based on the principles of sharia law and Islamic economic theory.

Liechtenstein's expertise as a renowned centre for the management of private and family wealth with a strong focus on long-term investments, well-developed trust and foundation laws, as well as attractive financial regulation provide an ideal starting point for offering services in the domain of religion-based and sustainable investments.

The conference was opened by H.S.H. Prince Nikolaus von und zu Liechtenstein. The focus of the conference was on legal questions, e.g., how a modern Western-style financial centre can be brought in line with Islamic principles, and in what way the legal environment has to be adjusted to meet the needs of

Islamic investors and to further stimulate demand. The FMA and the University of Liechtenstein are evaluating the insights gained with the goal of identifying concrete business models and developing an appropriate basic framework.

### Conference on a uniform European insurance contract law

Differing national insurance contract laws in the various countries of Europe characterize the cross-border insurance business. Efforts to achieve uniformity within the EU are underway. At a public event hosted by the FMA Liechtenstein on 31 January 2014, experts from numerous European countries discussed the model of a uniform European insurance contract law and illuminated the perspectives for the Liechtenstein insurance centre.

The project of the EU to harmonize insurance contract law throughout Europe is also of interest to the Liechtenstein insurance centre. Because of the small domestic market, cross-border movement of services is very important to the life and non-life insurers domiciled in Liechtenstein. A uniform insurance contract law would facilitate this cross-border business.

#### 3.2.1 Global cooperation

### Assessment by the IMF and MONEYVAL

The IMF and the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) published their report on Liechtenstein for the fourth evaluation round in July 2014. Liechtenstein's measures to combat money laundering and the financing of terrorism were evaluated in detail by an international team of experts in June 2013 with regard to compliance with the

international standards. The IMF and MONEYVAL gave Liechtenstein positive marks. Liechtenstein is now addressing the remaining recommendations swiftly.

The assessment entailed a very heavy workload for the FMA. The assessment served to identify possible weaknesses in the measures to combat money laundering and the financing of terrorism and to improve the system in that way. Between the conclusion of the on-site assessment and the discussion and adoption of the report in the MONEYVAL plenary meeting in April 2014, several draft reports were commented on and discussed.

### **MONEYVAL**

Liechtenstein is a member of MONEYVAL. MONEYVAL is one of eight regional bodies established in the style of the Financial Action Task Force (FATF) for the purpose of disseminating international standards to combat money laundering and terrorist financing in the respective region. These FATF-style regional bodies (FSRBs) are at the same time associated members of the FATF and report regularly to the FATF.

The FSRBs conduct mutual assessments of the member states. In the reporting year, MONEYVAL conducted four on-site assessments (Azerbaijan, Montenegro, Guernsey, and Bosnia and Herzegovina), and a total of five evaluation reports (Liechtenstein, Macedonia, Romania, Estonia, and Azerbaijan) were discussed and adopted in the MONEYVAL plenaries. Liechtenstein decided to undergo a joint assessment by the International Monetary Fund and MONEYVAL.

An FMA employee who also works as an expert for MONEYVAL was deployed as an assessor in the country evaluation of Guernsey.

### **International Conference of Banking Supervisors**

The biennial International Conference of Banking Supervisors (ICBS) took place in China in the reporting year. At these conferences, the Basel Committee discusses its agenda also with banking regulators of non-members and obtains their views. The topics of the conference were the future agenda of the Basel Committee after implementation of Basel III (subtopics: regulatory treatment of risk-free exposures, interaction between microprudential and macroprudential supervision, comparability of the calculation of risk-weighted assets, and reduction of regulatory complexity) and the question of how the financial system can promote economic growth (subtopics: implications of the regulatory reforms for long-term financing, impact of the extraordinary monetary policy on banking regulation, regulatory standards for banks operating locally).

### **International Organization of Securities Commissions**

The International Organization of Securities Commissions (IOSCO) defines the internationally valid regulatory standards relating to securities. Liechtenstein'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 39th Annual Conference in autumn 2014. The FMA also takes part in the IOSCO ERC (European Regional Committee), which met three times in 2014 and discussed issues relating to European securities regulation.

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### **International Association of Insurance Supervisors**

The International Association of Insurance Supervisors (IAIS) promotes cooperation among national supervisory authorities. The principles and standards developed by the IAIS (Insurance Core Principles, ICP) are of great importance to the supervisory practices of individual countries.

The FMA participates actively in the Financial Stability Committee (FSC) and the Macroprudential Policy and Surveillance Working Group (MPSWG). These bodies work primarily on the development and evaluation of tools for identifying, assessing, and mitigating systemic risks in the insurance sector. The FMA also took part in the IAIS Annual Conference.

### **International Forum of Independent Audit Regulators**

The International Forum of Independent Audit Regulators (IFIAR) is a globally oriented group of currently 51 audit supervisory authorities. IFIAR offers the FMA a platform for maintaining contacts with other audit supervisory authorities and for discussing supervision strategies and their implementation. The forum also maintains direct contact with other international standard-setters in the field of auditing as well as global audit networks. The goal is to ensure international consistency in supervision processes. In 2014, the FMA took part in the plenary meetings and a workshop.

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

The annual meeting of the Enlarged Contact Group on the Supervision of Collective Investment Funds (ECG) was held in Copenhagen in 2014. In addition to discussions of current regulatory developments and questions arising in supervisory practice, the 36 delegates from 23 national supervisory authorities got to

know the Danish financial and fund centre better and were able to strengthen informal contacts with each other. For two days, questions relating to national implementation of the Alternative Investment Fund Managers Directive (AIFMD) were discussed and explored in detail.

### **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)**  
The CPMLTF did not meet in 2014. Instead, meetings of the EGMLTF took place, in which representatives of Liechtenstein regularly participated. Based on the available draft of the 4th EU Anti-Money Laundering Directive, the work begun by the expert group in 2013 to carry out a supranational risk analysis was continued. For this purpose, the initialization work primarily undertaken so far in the EU member states for a national risk analysis was compared. Beyond this, the expert group closely observed the negotiations on the 4th EU Anti-Money Laundering Directive.

Due to the upcoming implementation of the 4th EU Anti-Money Laundering Directive and the 2012 FATF Standards, the member states are confronted with sometimes divergent requirements for combating

money laundering and terrorist financing at the European level on the one hand and at the international level on the other hand. In this context, discussions on the future role of the EGMLTF took place. Stronger cooperation between the EGMLTF and the European Anti-Money Laundering Committee (AMLC) was deemed important.

In 2014, the developments relating to virtual currencies such as bitcoin also played an important role. The risk analysis carried out by the European Banking Authority (EBA) and the associated report were analysed by the EGMLTF. The European Commission proposed in this connection to continue the stocktaking process and to refrain from regulatory projects at the European level for the time being.

### **Expert Group on Banking, Payments and Insurance (Insurance Formation)**

The FMA represents Liechtenstein in the meetings of the European Commission Expert Group on Banking, Payments and Insurance. The expert group examines questions relating to application of EU rules and advises the Commission on proposals for new legal acts in these areas. In the Insurance Formation, the expert group focused on developments relating to Solvency II in 2014.

### **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 and Banking Union**

The focus of the work of the European Banking Authority (EBA) was on reconciling future cooperation with the Banking Union as well as the preparation, execution, and evaluation of the 2014 stress test and the associated asset quality review. The results were published in autumn 2014. The overwhelming number of banks passed the stress test, while a few banks had to raise additional capital.

In connection with the Single Rulebook, numerous additional technical standards were elaborated in 2014 to further specify the Bank Recovery and Resolution Directive (BRRD). Additionally, technical standards and working papers were developed in connection with other topics covered by the CRD IV/CRR such as liquidity, leverage ratio, macroprudential supervision, covered bonds, consumer protection, and the comparability of IRB models. Especially the comparability of IRB models raised numerous questions. Finally, a paper was circulated for consultations with the goal of advancing consumer protection, covering the topics of product oversight and governance requirements.

With respect to the harmonization of the supervisory practice of national supervisory authorities (supervisory convergence), two milestones were reached: the handbook on the assessment of recovery plans and the handbook on the Supervisory Review and Evaluation Process (SREP) were adopted. Especially the latter represents an important standard for supervisory convergence.

In the second quarter, all EEA/EFTA supervisory authorities received a letter from the EBA/ESMA/EIOPA chairs, calling for a clear plan for incorporation of all ESA regulations into the EEA Agreement by the end of 2014. Otherwise, it

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would have to be considered whether the EEA/EFTA countries should remain as observers on the respective boards of supervisors. In autumn, this issue between the EU and the EEA/EFTA countries was defused with a Council conclusion. Currently, work is underway to implement the Council conclusion, i.e., practical incorporation of the rules into the EEA Agreement and national law.

The Banking Union of the European Central Bank (ECB) became operational at the beginning of November. All banking regulators and banks in the Eurozone are subject to the Banking Union.

### **European Securities and Markets Authority**

The European Securities and Markets Authority (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). It is also represented on the subcommittees relevant to the Liechtenstein financial centre.

Peer reviews of the supervisory activities of the national authorities are a key element for ensuring harmonized and coherent application of provisions. In the reporting year, ESMA carried out peer reviews on market abuse supervision as well as on the inter-related topics in the field of automated trading. An ESMA delegation also reviewed the FMA's supervision on site in Liechtenstein. ESMA reviewed implementation of the MiFID provisions and the supervisory approach to best execution.

The FMA also concluded an agreement with ESMA on cooperation in the field of IT systems and reporting platforms. The most recent European rules stipulate extensive reporting obligations for the national supervisory authorities to ESMA, requiring appropriate IT systems.

### **European Insurance and Occupational Pensions Authority**

The European Insurance and Occupational Pensions Authority (EIOPA) developed the technical regulation and implementation standards as well as guidelines for the introduction of Solvency II. In order to contribute Liechtenstein's interests and ensure timely implementation of all provisions, the FMA is represented in the most important committees and working groups.

Peer reviews play an important role in EIOPA's work as well. The harmonized and coherent application of provisions by the national supervisory authorities is reviewed. As part of a peer review on cross-border movement of services, the FMA received an EIOPA delegation for an on-site visit. The talk went well. The final report is expected in 2015.

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

Anti-money-laundering is one of the cross-sectoral topics falling within the scope of responsibilities of the Joint Committee of the European Supervisory Authorities (ESAs). The topic is dealt with by a subcommittee called the Anti-Money Laundering Committee (AMLC). The AMLC supports the ESAs in the performance of their duties in order to ensure coherent application of EU law.

The AMLC plays a special role in connection with the upcoming 4th EU Anti-Money Laundering Directive. The compromise text of the directive, which has been approved by the two committees responsible in the EU Parliament as well as the Council of Finance Ministers, envisages several duties that would be carried out by the AMLC.

In particular, the directive envisages a strengthening of the risk-based approach in meeting due diligence obligations. This necessitates guidance for member



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states and financial institutions. For this purpose, the ESAs are called upon to define which factors should be taken into account in regard to simplified and enhanced due diligence and which simplified or enhanced measures should be taken. The AMLC worked on preparing the corresponding guidelines in 2014.

Another main project of the AMLC was the preparatory work for a guideline on the risk-based approach in the supervision of financial institutions. The mandate for this project is also derived from the 4th EU Anti-Money Laundering Directive.

The Anti-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 to comment on the risks for the EU financial sector. The comments will be prepared by the AMLC.

The AMLC was also involved in preparing draft regulatory technical standards in connection with the “central points of contact” for cross-border e-money issuers and payment service providers. These central points of contact are to be responsible for ensuring on behalf of the appointing institution compliance with AML/CFT rules and for facilitating supervision by the competent authorities of the host country.

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.

### **EU Passport Experts Group**

The FMA attended a meeting of the EU Passport Experts Group in October 2014. The meeting was attended by representatives of supervisory authorities of the EEA states to discuss questions relating to the grant of the EU passport.

### **EFTA Working Group on Financial Services (WGFS)**

Together with representatives of the Government, the FMA took part in the meetings of the EFTA working group. Now that an agreement has been reached at the political level on incorporation of the regulations on the ESAs into the EEA Agreement, the working group is supporting the technical implementation. On the occasion of this year's chairmanship of the working group by Liechtenstein, a two-day workshop took place in Liechtenstein this year with the participation of the Norwegian, Icelandic, and Swiss delegations.

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

The annual four-country meeting of the German-speaking supervisory authorities took place in Vienna in 2014. The financial market supervisory authorities from Switzerland, Germany, Austria, and Liechtenstein discussed topics of international banking supervision as well as supervision of new business models.

### **European Audit Inspection Group**

Since 2014, the FMA has been a member of the European Audit Inspection Group (EAIG). The core element of cooperation is the analysis of findings in the quality controls (inspections) carried out by the associated audit supervisory authorities. The analysis is conducted anonymously, combined with an investigation of the causes underlying the findings

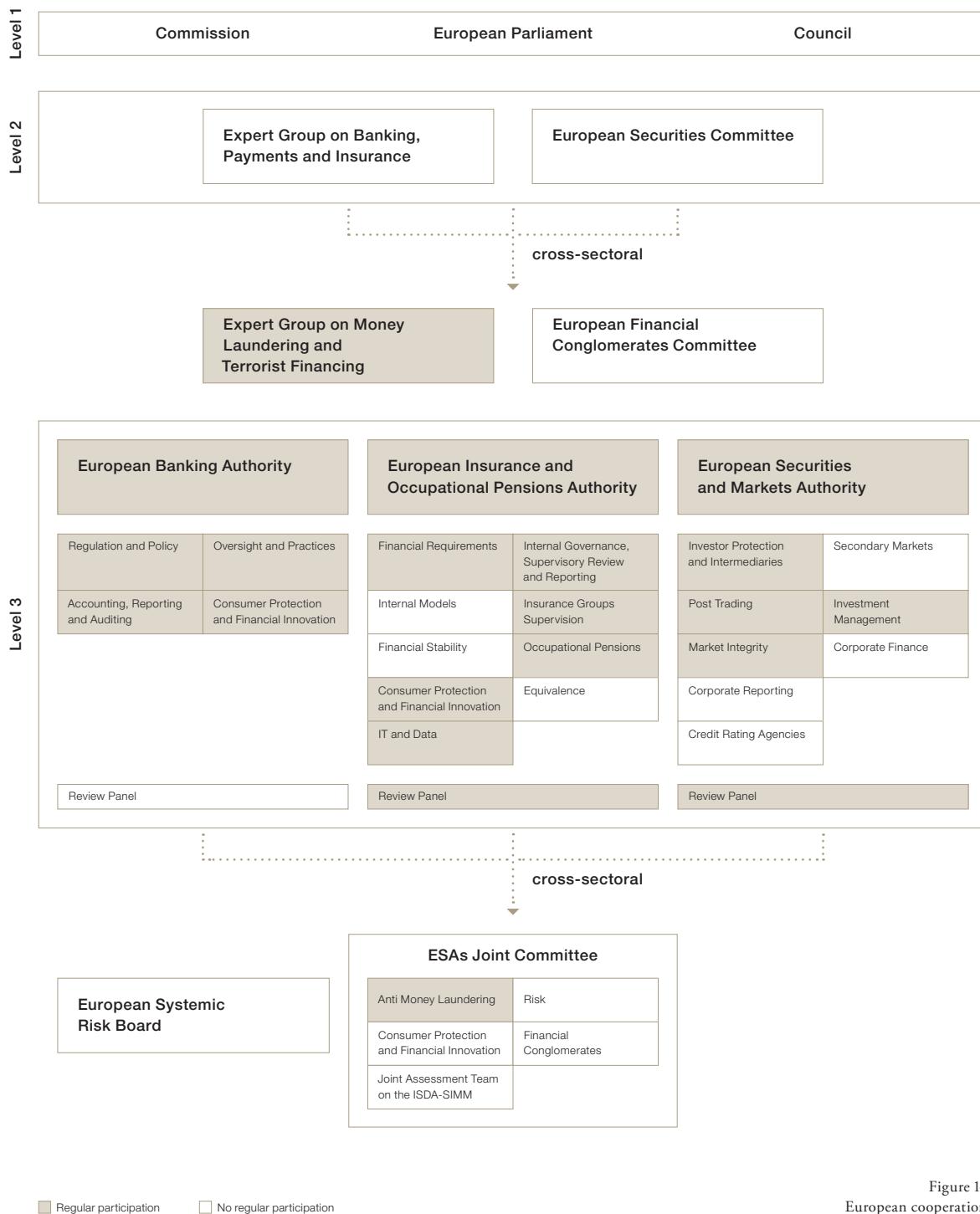


Figure 14  
European cooperation

(root cause analysis). The results are incorporated into the discussions with the major European audit networks within the colleges of supervisors and the European standard-setters (IAASB, IESBA). Of particular importance in this regard is a common understanding of the approach taken in quality controls and the resulting findings. In that sense, a common quality control approach is being developed that the associated audit supervisory authorities are expected to adopt.

### 3.3 Bilateral cooperation

#### Banking Division

Due to the steadily rising demands on consolidated supervision, bilateral cooperation with foreign supervisory authorities is playing an increasingly large role. Accordingly, much effort was invested during the reporting year in order to cultivate existing relationships and further expand the network. The focus is on regular exchanges with the supervisory authorities in Switzerland and Austria. In addition to information exchange about shared banking groups (supervisory colleges), supervisory processes and instruments are regularly discussed, as well as their handling and impact in practice. The mutual exchange of experiences leads to better understanding of the banking group on both sides and ultimately also to more effective supervision. Further contacts with the supervisory authorities arise on a case-by-case basis, especially in connection with administrative assistance provided to combat abuse.

In addition to the conclusion of a memorandum of understanding (MoU) with the British Virgin Islands Financial Services Commission, further MoUs were concluded with other countries connected to Liechtenstein through financial intermediaries.

#### Securities Division

The Securities Division maintained various contacts with European supervisory authorities. Topics included specific supervision cases, the cross-border distribution of fund products, and market abuse regulation.

The FMA signed a memorandum of understanding relating to cross-border fund distribution with the Swiss Financial Market Supervisory Authority (FINMA). The MoU facilitates the efficient exercise of the FMA's practical supervisory work relating to the cross-border distribution of fund products to and from Switzerland and in particular strengthens cooperation between the two supervisory authorities. At the same time, it was a precondition for continuing to allow fund products from Liechtenstein to be distributed to non-qualified investors in Switzerland even after 1 March 2014.

The AIFM Directive provides for the conclusion of bilateral cooperation agreements with the securities supervisory authorities of third countries. At the end of 2014, the number of MoUs negotiated by ESMA was 45 (previous year: 42). The new partners were Egypt, South Africa, and Vietnam. The cooperation agreements cover the exchange of information, cross-border on-site inspections, and mutual support in enforcing supervisory rules.

#### Insurance and Pension Funds Division

The agreement between Liechtenstein and Switzerland on direct insurance and insurance intermediaries guarantees that insurers 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. Within the framework of the agreement, regular working meetings between the FMA and FINMA take place.

The focus in the reporting year was on intergovernmental talks regarding an agreement on natural hazard insurance, which was initialled in December 2014, as well as three concrete supervisory concerns of FINMA. An agreement was reached on all relevant supervisory concerns of FINMA.

As part of ongoing supervision of pension schemes, the FMA maintains regular contact with foreign supervisory authorities, especially the Federal Social Insurance Office in Bern, the BVG Guarantee Fund, and the Eastern Swiss Regional Group on the Supervision of Pension Schemes and Classical Foundations.

#### **Other Financial Intermediaries Division**

On the basis of the memorandum of understanding concluded with the Swiss Federal Audit Oversight Authority (FAOA) in 2013, administrative assistance was provided in several cases.



## 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.

#### Risk management

Risk management is of special importance to the FMA. The work of a supervisory authority is associated with numerous risks. The FMA further optimized its risk management in 2014.

For instance, the administration of the internal control system (ICS) has been facilitated using an IT tool since May 2014. The FMA is also working on optimized harmonization between risk management, the ICS, and various security policies. The goal is for risk management to better address the existing risks while still achieving effectiveness and efficiency gains.

### 4.1.3 FMA funding

On 1 January 2014, the revised Financial Market Act and with it the new funding model entered into effect. The goals were long-term security for FMA funding, transparent design and easy handling of the funding model, foreseeability and calculability of the specific supervisory tax burden for each financial intermediary, and constitutionality of the provisions.

The supervisory taxes are made up of a basic tax and a variable supplemental tax that must be paid by the financial intermediary under supervision. The supplemental tax is calculated on the basis of predefined key data for each category of intermediary, e.g., the balance sheet total, assets under management, or the number of client relationships.

The FMA is funded through these taxes, income from fees, and a State contribution. The new supervisory tax model was implemented and applied during the reporting year. Experiences have shown that it is more efficient and easier to use than the earlier model.

#### 4.1.4 Occupational retirement provision

The FMA is associated with the Liechtenstein Occupational Pensions Foundation (SPL). The SPL is organized as a foundation under private law and is subject to the Law on Occupational Pensions of the State (State Pensions Act) and subsidiarily to the Occupational Pensions Act (OPA). The SPL began its insurance activities on 1 July 2014 as the legal successor of the Pension Insurance for State Employees (PVS). Since then, FMA employees have been insured according to defined contributions.

#### 4.1.5 Infrastructure and security

At its location at Landstrasse 109 in Vaduz, the FMA has a modern infrastructure and high standard of building security at its disposal. During the reporting year, a homicide necessitated the activation of security measures, because the National Police believed there was also a potential threat to FMA employees. In addition to locking down the building using the electronic security system and providing immediate information to employees, the National Police and a private security service offered additional protection during the first phase. During the second phase, the security service was mandated to enforce stricter access control.

### 4.2 Corporate development

#### 4.2.1 Human resources management

At the end of 2014, the project on “Expansion of human resources management” was launched in order to further develop the existing human resources management in collaboration with an external specialist. The existing elements of human resources management were integrated into an overall concept and adjusted and supplemented where necessary. The project includes formulating a human resources strategy, improving the attractiveness and updating the employment conditions at the FMA, enhancing human resources development, and elaborating the foundations for strategic human resources planning.

#### 4.2.2 Information and communication technologies

In close cooperation with the supervisory divisions, the staff units, and external stakeholders, a focus of work in 2014 was on implementation of the objectives and initiatives defined in the FMA’s IT strategy.

##### Master database

The master database introduced in 2013 has proven its worth. It constitutes the central application for process-controlled support of numerous business processes. Various internal workflows have been simplified and optimized for the benefit of efficiency. New functions were added to the database in the reporting year. It contains all information relevant to the FMA about participants in the Liechtenstein financial centre and provides the basis for various specialized applications within the FMA.

### **Document Management System**

In future, the FMA will file all documents in its Document Management System (DMS). The system is designed to ensure the systematic filing of and rapid access to documents and thus enhance efficiency. It is highly integrated with the master database. The system was thoroughly tested in the reporting year, and improvements have been implemented on an ongoing basis. Introduction of the DMS is planned for the first quarter of 2015.

### **e-Service platform**

The work on the e-Service platform continued during the reporting year. With the platform, the FMA will in future offer financial intermediaries an Internet-based communication channel. The goal is to exchange information between financial intermediaries and the FMA primarily via this channel. This is intended to achieve a high level of efficiency and ensure the security of work processes at the FMA and the supervised financial intermediaries.

Additionally, the purpose of the platform is to cover the FMA's reporting requirements to the European Supervisory Authorities (ESAs) efficiently and securely. In autumn 2014, the submission process for national reporting requirements was successfully tested in collaboration with selected financial intermediaries. On the basis of the evaluations of the test run and the extensive feedback given by the testers, various improvements have been planned for the platform and some new functions have already been implemented. The e-Service platform is planned to go live in the second quarter of 2015. The e-Service platform will be further expanded in the future and extended to include additional service modules.

### **Know-how database**

During the reporting year, the DMS was used as a basis to construct a know-how database. The know-how database is intended to cover the demands of all supervisory divisions and staff units and ensure distribution of relevant know-how throughout the FMA in order to improve efficiency and quality. Introduction of the know-how database is planned for the beginning of 2015.

### **Additional IT projects**

In addition to the cross-divisional projects, specialized applications in individual supervisory divisions have been implemented to support business processes. The primary focus was on electronic support for licensing and supervisory activities.

Additionally, a supervisory tax calculation tool was introduced, based on the FMA's new funding solution. This tool was used to calculate the 2014 supervisory taxes for the first time starting in the second quarter of 2014.

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

The higher regulatory density of the financial markets is increasing the costs and requirements for supervisory authorities. The FMA is confronting this development with measures to enhance effectiveness and efficiency, for instance by using the synergies of an integrated supervisory authority. Integrated means that the supervision of banks, insurers, and all other sectors is the responsibility of one and the same authority.

Great potential for improving efficiency lies in a modern IT infrastructure. With its IT strategy, the FMA ensures that this potential is actually used. Internet-based communication channels, for instance, entail efficiency gains for financial intermediaries as well. During the reporting year, the internal training opportunities were strongly expanded. In these training programmes, FMA employees convey their specialized knowledge to their colleagues in internal courses. External experts were also consulted in the fields of legislative drafting and due diligence law. The training opportunities are strictly focused on the competences and skills the FMA must have.

several factors. The main reason for the increased revenue from licensing fees (+CHF 690,776) was the relocation of several third-country funds to Liechtenstein. These relocations were not foreseeable during the budgeting phase. Also, especially in the Securities Division, more licences were issued than had been expected. CHF 902,643 (6.6%) more supervisory tax was collected than budgeted. Because of the new funding system, the necessary experience was lacking to make the budget more precise. The deviation in other fees (+CHF 446,242) was in part due to the fact that several new fee categories entered into effect in 2014, and also that a fee was invoiced in general for the issuance of a separate decree (decision).

### 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 3 December 2013, the Government approved the detailed 2014 FMA budget with a State contribution of CHF 5,000,000 and expenses of CHF 18,905,000. The actual expenses for the 2014 business year were CHF 19,333,912 and thus CHF 428,912 (2.3%) higher than the approved budget. The main reason is that for the first time in 2014, provisions were set aside in the amount of CHF 395,015 (wages including social security contributions) for unused holiday days as of 31 December 2014. These provisions were made at the suggestion of the National Audit Office, in accordance with the practice of the National Administration.

Income without the State contribution amounted to CHF 16,780,681 and is thus CHF 2,045,681 (13.9%) higher than the budget. This surplus was due to

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 2014 can reach a maximum of CHF 9,382,103. Because retroactively, the maximum reserves on 1 January 2014 had already exceeded this threshold by CHF 28,375 and the FMA generated additional revenue as mentioned above, the State contribution was adjusted accordingly. Instead of the budgeted CHF 5,000,000, the State contribution for the year 2014 amounted to CHF 2,524,856. Total income including the State contribution was thus CHF 19,305,537, which is CHF 429,463 (2.2%) less than budgeted. Deducting the total expenses of CHF 19,333,912, the accounts closed with an annual loss of CHF 28,375.

Personnel expenses in the 2014 business year amounted to CHF 13,944,665, CHF 134,665 (1.0%) higher than budgeted. This excess is due to provisions for unused holiday days.

Material expenses at CHF 3,847,380 were CHF 72,380 (1.9%) higher than budgeted. Due to increased security costs arising from the Hermann case in April 2014, costs for the premises were about CHF 30,000 higher than budgeted.

Write-downs totalled CHF 1,541,867 and were thus CHF 221,867 higher than budgeted. In particular, write-downs on debtors were higher than budgeted. An open position in the amount of CHF 100,000 had to be written down. A write-down on external costs of audit companies in the amount of CHF 40,000 also had to be taken (withdrawal of the licence of an asset management company). Additionally, depreciation on IT equipment was CHF 84,698 higher than budgeted due to IT projects completed before schedule (e-Service platform, Document Management System, specific supervisory systems).

As already mentioned, the FMA had an annual loss of CHF 28,375 in the 2014 business year. Setting the losses off with the reserves, the total reserves as of 31 December 2014 thus amounted to CHF 9,382,103. The legally defined maximum amount of reserves has thus been reached.

The revised FMA Act and the new funding model entered into effect on 1 January 2014. The new rules were necessary because the old funding model had been contested in court, and several court judgments were issued against it.

**Balance sheet as of 31 December (in CHF)**

<b>Assets</b>		<b>2014</b>	<b>2013</b>
<b>Fixed assets</b>			
Intangible assets	– Software	1,115,346.29	1,026,317.51
Tangible assets	– Operating equipment	939,683.50	1,112,826.35
	– IT equipment	26,814.24	66,993.40
	– Furnishings	98,733.91	115,600.60
<b>Current assets</b>			
Receivables	– Receivables from services	630,708.75	633,661.26
	– Del credere	–186,239.50	–124,466.55
	– Other receivables	1,315.30	7,247.20
Bank deposits and cash	– Cash	642.55	380.55
	– Bank	20,176,778.19	13,768,899.34
<b>Accrued items</b>			
<b>TOTAL ASSETS</b>		<b>22,995,134.99</b>	<b>16,812,389.58</b>

<b>Liabilities</b>		<b>2014</b>	<b>2013</b>
<b>Equity capital</b>			
– Endowment	2,000,000.00	2,000,000.00	
– Reserves as of 1 January	9,410,477.83	9,496,541.75	
– Annual loss (dissolution of reserves)	–28,374.89	–86,063.92	
– Own funds	11,382,102.94	11,382,102.94	11,410,477.83
<b>Provisions</b>			
– Provisions	445,014.69	50,000.00	
<b>Accounts payable</b>			
– Accounts payable from deliveries and services	474,710.60	502,647.70	
– Other accounts payable	150,427.29	49,868.05	
– Accounts payable to the State of Liechtenstein	10,410,530.30	4,751,122.58	
<b>Deferred items</b>			
	132,349.17	48,273.42	
<b>TOTAL LIABILITIES</b>		<b>22,995,134.99</b>	<b>16,812,389.58</b>

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

Expenses	2014	Budget 2014	Budget-Abw.	2013
<b>Personnel expenses</b>				
Wages	10,898,253.40	10,520,000.00	378,253.40	10,324,101.70
Social security contributions	2,007,255.18	2,110,000.00	-102,744.82	1,964,073.78
Insurance (sickness daily allowances)	101,740.99	110,000.00	-8,259.01	107,668.55
Insurance benefits (sickness daily allowances)	-105,062.60	-5,000.00	-100,062.60	-35,791.55
Other personnel expenses	124,838.96	200,000.00	-75,161.04	157,737.24
Basic and continuing training	296,146.04	250,000.00	46,146.04	293,309.31
Board of Directors	621,492.78	625,000.00	-3,507.22	624,637.68
<b>Total personnel expenses</b>	<b>13,944,664.75</b>	<b>13,810,000.00</b>	<b>134,664.75</b>	<b>13,435,736.71</b>
<b>Write-downs</b>				
Depreciation on software/IT equipment	1,094,698.35	1,010,000.00	84,698.35	761,924.88
Depreciation on furnishings	101,093.59	85,000.00	16,093.59	84,135.04
Depreciation on operating equipment	173,142.85	175,000.00	-1,857.15	173,143.30
Write-downs on debtors	132,932.60	50,000.00	82,932.60	147,746.06
Write-downs on external costs of audit companies	40,000.00	-	40,000.00	-
<b>Total write-downs</b>	<b>1,541,867.39</b>	<b>1,320,000.00</b>	<b>221,867.39</b>	<b>1,166,949.28</b>
<b>Material expenses</b>				
Office expenses	186,676.51	190,000.00	-3,323.49	189,964.23
Travel expenses	396,397.15	395,000.00	1,397.15	395,350.70
Expert fees/opinions	272,601.40	245,000.00	27,601.40	431,515.81
Audit companies	44,621.50	-	44,621.50	7,296.40
Reimbursements from audit companies	-42,934.35	-	-42,934.35	-7,296.40
Premises	1,982,624.88	1,950,000.00	32,624.88	1,953,812.47
Insurance	48,831.80	50,000.00	-1,168.20	50,648.80
IT costs	480,432.40	425,000.00	55,432.40	587,883.83
Public outreach	99,752.00	90,000.00	9,752.00	98,241.63
Events and representation	58,510.17	45,000.00	13,510.17	13,233.75
Membership fees for associations/institutions	207,149.97	255,000.00	-47,850.03	196,657.72
Audit expenses	33,219.50	50,000.00	-16,780.50	81,665.25
Other expenses	79,497.12	80,000.00	-502.88	107,886.60
<b>Total material expenses</b>	<b>3,847,380.05</b>	<b>3,775,000.00</b>	<b>72,380.05</b>	<b>4,106,860.79</b>
<b>TOTAL EXPENSES</b>	<b>19,333,912.19</b>	<b>18,905,000.00</b>	<b>428,912.19</b>	<b>18,709,546.78</b>
<b>Annual profit (allocated to reserves)</b>	<b>-</b>	<b>830,000.00</b>	<b>-830,000.00</b>	<b>-</b>
	<b>19,333,912.19</b>	<b>19,735,000.00</b>		<b>18,709,546.78</b>
<b>Income</b>				
Licensing fees	1,190,775.68	500,000.00	690,775.68	1,019,269.16
Supervisory taxes	14,920,643.05	14,000,000.00	920,643.05	9,001,213.98
Audit fees	33,219.50	50,000.00	-16,780.50	81,665.25
Other fees	571,242.00	125,000.00	446,242.00	295,582.00
Other operational income	64,800.90	60,000.00	4,800.90	225,752.47
<b>Total income without State contribution</b>	<b>16,780,681.13</b>	<b>14,735,000.00</b>	<b>2,045,681.13</b>	<b>10,623,482.86</b>
State contribution	2,524,856.17	5,000,000.00	-2,475,143.83	8,000,000.00
<b>TOTAL INCOME</b>	<b>19,305,537.30</b>	<b>19,735,000.00</b>	<b>-429,462.70</b>	<b>18,623,482.86</b>
<b>Annual loss (dissolution of reserves)</b>	<b>28,374.89</b>	<b>-</b>	<b>28,374.89</b>	<b>86,063.92</b>
	<b>19,333,912.19</b>	<b>19,735,000.00</b>		<b>18,709,546.78</b>

## Notes on the 2014 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. The presentation of the financial statement was adjusted to the PGR requirements. The comparison with the previous year has also been corrected accordingly.

### 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 01.01.2014	Acquisitions	Divestitures	Balance 31.12.2014	Balance 01.01.2014	Acquisitions	Divestitures	Balance 31.12.2014	Balance 01.01.2014	Balance 31.12.2014
Software	2,127,625.11	1,127,746.48	0.00	3,255,371.59	1,101,307.60	1,038,717.70	0.00	2,140,025.30	1,026,317.51	1,115,346.29
IT equipment	376,026.20	15,801.49	0.00	391,827.69	309,032.80	55,980.65	0.00	365,013.45	66,993.40	26,814.24
Furnishings	617,406.35	84,226.90	0.00	701,633.25	501,805.75	101,093.59	0.00	602,899.34	115,600.60	98,733.91
Operating equipment	1,731,428.55	0.00	0.00	1,731,428.55	618,602.20	173,142.85	0.00	791,745.05	1,112,826.35	939,683.50
<b>TOTAL</b>	<b>4,852,486.21</b>	<b>1,227,774.87</b>	<b>0.00</b>	<b>6,080,261.08</b>	<b>2,530,748.35</b>	<b>1,368,934.79</b>	<b>0.00</b>	<b>3,899,683.14</b>	<b>2,321,737.86</b>	<b>2,180,577.94</b>

Figure 16 | Assets analysis



### **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 2014 in the amount of CHF 395,015.

### **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 2014 business year, including social security contributions, was CHF 621,493. 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. The other Members of the Board of Directors – Prof. Dr. Roland Müller, Bernhard Lampert, and Dr. Michael Ritter – were re-elected by the Government in its meeting of 1 July 2014 for the term from 2015 to 2019.

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 of the Board of Directors;
- Basic compensation for other Members;
- Flat-rate meeting compensation per meeting day.

### **b) Executive Board**

The gross remuneration of the Members of the Executive Board in the 2014 business year was CHF 1,617,743 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 2014:

- Mario Gassner, Chief Executive Officer;
- Dr. Alexander Imhof, Deputy of the CEO and Head of Insurance and Pension Funds Division;
- Rolf Brüggemann, Head of Banking Division;
- Dr. Marcel Lötscher, Head of Securities Division;
- Patrick Bont, Head of Other Financial Intermediaries Division.

## Workforce

As of 31 December 2014, the FMA had a total of 83 employees (previous year: 81). 69 employees had full-time contracts, 13 had part-time contracts, and 1 employee had a temporary contract. In total, the FMA had 77.8 full-time equivalents of the 78.7 authorized full-time equivalent positions as of 31 December 2014 (previous year: 75.1).

Category	Persons	FTE
Permanent full-time	69	69,0
Permanent part-time	13	7,8
<b>TOTAL positions filled</b>	<b>82</b>	<b>76,8</b>
Temporary appointments	1	1,0
Workforce as of 31.12.2014	83	77,8
Vacant positions		0,9
<b>TOTAL FMA</b>	<b>83</b>	<b>78,7</b>
Interns	4	3,4

Figure 17  
Overview of workforce as of 31 Dezember 2014

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FMA Annual Report 2014

## Attestation of the National Audit Office

  
**FINANZKONTROLLE  
FÜRSTENTUM LIECHTENSTEIN**

**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 2014 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, 24. März 2015



## Development of the workforce

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As of 31 December 2014, the FMA had 83 employees (previous year: 81). The share of women was 36%. 13 employees worked part-time. An equivalent of 77.8 full-time positions were filled as of 31 December 2014. During the reporting year, 5 employees left the FMA (previous year: 7). The fluctuation was thus modest, and even lower than in the previous year.

## Changes/Promotions

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There were no changes in the reporting year at the level of the Executive Board. Jennifer Toivola, Head of Legal/International Affairs in the Executive Office, left the FMA effective 30 April 2014. Dominik Häuptle was appointed as her successor effective 1 November 2014. After the resignation of Martina Tschanz effective 30 September 2014, Philipp Fuchs was appointed as the new Head of the Legal Section in the Insurance and Pension Funds Division effective 1 January 2015. Dominik Häuptle and Philipp Fuchs had both already been working at the FMA.

## Staff makeup

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The staff are made up of 49% lawyers and 16% economists; 17% are specialists such as auditors, banking experts, and actuaries. 18% of employees are officers or have a different educational background.

## Nationalities

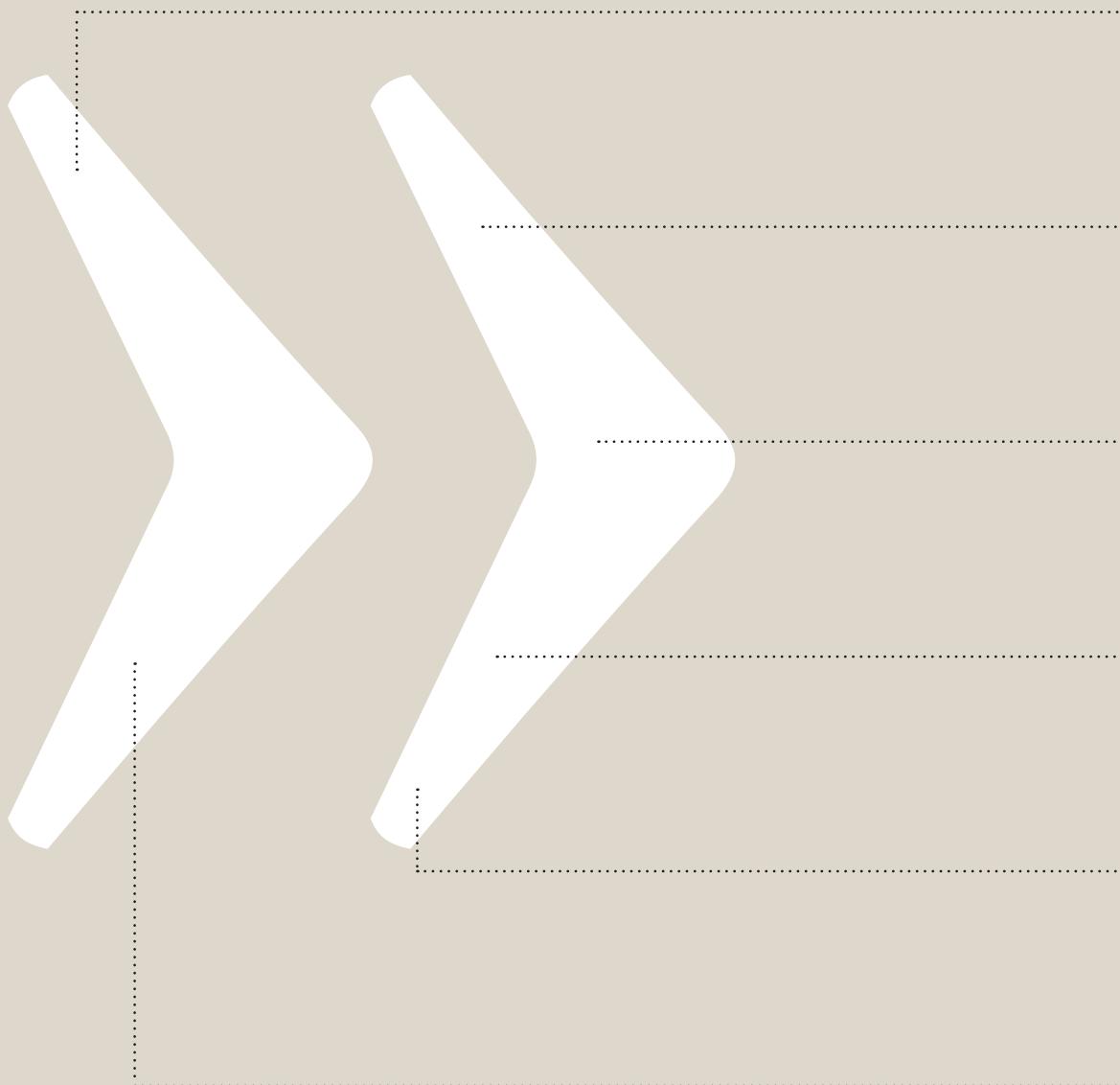
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25% of employees are Liechtenstein citizens, 30% Swiss citizens, 32% Austrian citizens, and 12% German citizens. 1% of employees have other nationalities. The number of Liechtenstein employees remained unchanged from the previous year.

The FMA strives to employ as many Liechtenstein citizens as possible. When recruiting new employees, Liechtenstein applicants are given preference. This potential is limited, however: On the one hand, the FMA has a strong need for specialists, only few of which are available in Liechtenstein due to the small size of the country. On the other hand, the FMA competes with domestic and foreign financial market participants when recruiting staff. The FMA's attractiveness as an employer must therefore urgently be preserved and promoted also for Liechtenstein citizens.

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### Financial market participants supervised by the FMA as of 31 December 2014

	2008	2009	2010	2011	2012	2013	2014	+/-
<b>Banks/Investment firms/Liechtenstein Postal Service</b>								
Banks	15	16	17	17	17	17	17	0
Investment firms (from 1.11.2007)	0	0	0	0	0	0	1	1
Payment institutions (from 1.11.2009)	-	-	0	0	0	0	0	0
Liechtenstein Postal Service	1	1	1	1	1	1	1	0
Audit offices pursuant to the Banking Act	8	8	8	7	6	5	5	0
E-money institutions				1	1	1	1	0
<b>Asset management companies</b>								
Asset management companies (from 1.1.2006)	102	102	107	107	109	119	121	2
<b>Investment undertakings</b>								
Active management companies	28	27	24	22	20	20	18	-2
of which fund managements	21	21	21	19	19	19	17	-2
of which investment companies	7	6	3	1	1	1	1	0
Domestic investment undertakings/funds	364	411	469	535	557	549	532	-17
Domestic subfunds/segments				791	779	735		-44
Foreign investment undertakings with third-country marketing authorization	112	95	82	84	82	46	38	-8
Foreign subfunds/segments	92	98	114	109	109	90	77	-13
Audit offices pursuant to the IUA	10	11	11	10	10	12	9	-3
Entitled to market units pursuant to the IUA (from 1.9.2005)	11	12	14	13	13	12	12	0
<b>Insurance undertakings</b>								
Insurance undertakings domiciled in Liechtenstein	42	41	40	40	41	42	42	0
Audit offices pursuant to the ISA	9	9	10	11	12	12	12	0
<b>Insurance intermediaries</b>								
Insurance intermediaries (from 1.7.2006)	64	70	71	68	65	66	65	-1
<b>Pension schemes</b>								
Pension schemes	34	33	33	29	29	24	24	0
Audit offices pursuant to the OPA	12	13	14	14	14	15	15	0
Pension insurance experts pursuant to the OPA	13	13	14	13	14	15	16	1
<b>Pension funds</b>								
Pension funds	4	5	5	6	6	6	5	-1
<b>Other financial intermediaries</b>								
Professional trustees	85	83	77	79	70	65	76	11
Professional trustees with restricted licence	28	26	23	21	21	21	29	8
Trust companies	260	262	264	263	259	254	251	-3
Trust companies with restricted licence	19	24	28	29	28	26	24	-2
Auditors <sup>1)</sup>	23	24	25	23	33	35	37	2
Auditors established in Liechtenstein <sup>1)</sup>	0	0	0	0	3	4	4	0
Audit companies <sup>1)</sup>	26	26	26	24	24	26	26	0
Patent lawyers	10	10	9	9	8	8	9	1
Patent law firms	4	3	3	3	3	3	3	0
Persons with an entitlement under article 180a PGR <sup>2)</sup>	513	532	546	533	535	518	2	-516
Persons with a licence under the 180a Act <sup>2)</sup>							230	230
Exchange offices <sup>3)</sup>	0	0	0	0	0	0	0	0
Real estate brokers <sup>3)</sup>	21	24	25	7	7	0	0	0
Dealers in goods <sup>3)</sup>	39	42	42	11	4	4	0	-4
Casinos	0	0	0	0	0	0	0	0
Other persons subject to due diligence <sup>3)</sup>	30	32	35	32	29	31	31	0

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

Figure 18  
 Financial market participants supervised by the FMA  
 as of 31 December 2014

**Financial market participants supervised by the FMA  
under the free movement of services as of 31 December 2014**

	2008	2009	2010	2011	2012	2013	Q4 2014	+/-
<b>Banks/investment firms</b>								
Free movement of services of EEA banks	171	179	187	199	213	196	211	15
Free movement of services of EEA investment firms	1624	1699	1787	1946	2148	1720	1779	59
Free movement of services of EEA payment institutions	0	0	31	72	112	170	197	27
Branches of EEA investment firms	1	0	0	0	1	2	2	0
Free movement of services of e-money institutions	7	7	7	7	13	31	37	6
Free movement of services of multilateral trading systems (from 1.11.2007)	2	2	2	2	2	2	2	0
<b>Insurance undertakings</b>								
Free movement of services of EEA and Swiss undertakings	346	375	212	267	287	364	358	-6
Branches of Swiss undertakings	25	22	22	22	17	9	10	1
Branches of EEA undertakings	1	1	1	1	1	2	1	-1
<b>Management companies and investment undertakings</b>								
Free movement of services of EEA investment undertakings	107	95	111	114	95	44	45	1
EEA investment undertakings/funds (segmented) with a total of segments (subfunds)	52	53	60	61	62	66	64	-2
	793	841	965	933	917	912	958	46
<b>Other financial intermediaries</b>								
Auditors engaging in free movement of services <sup>1)</sup>	5	5	6	9	37	43	42	-1
Audit companies engaging in free movement of services <sup>1)</sup>	21	23	22	22	22	22	20	-2

\* This includes the licensed (responsible) general managers of audit companies engaging in free movement of services not included on 31 December 2011.

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

Figure 19  
Financial market participants supervised by the FMA  
under the free movement of services  
as of 31 December 2014

## ANNEX

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### Laws subject to supervision and enforcement by the FMA as of 31 December 2014

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- 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 (AACa)
- 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 2014**

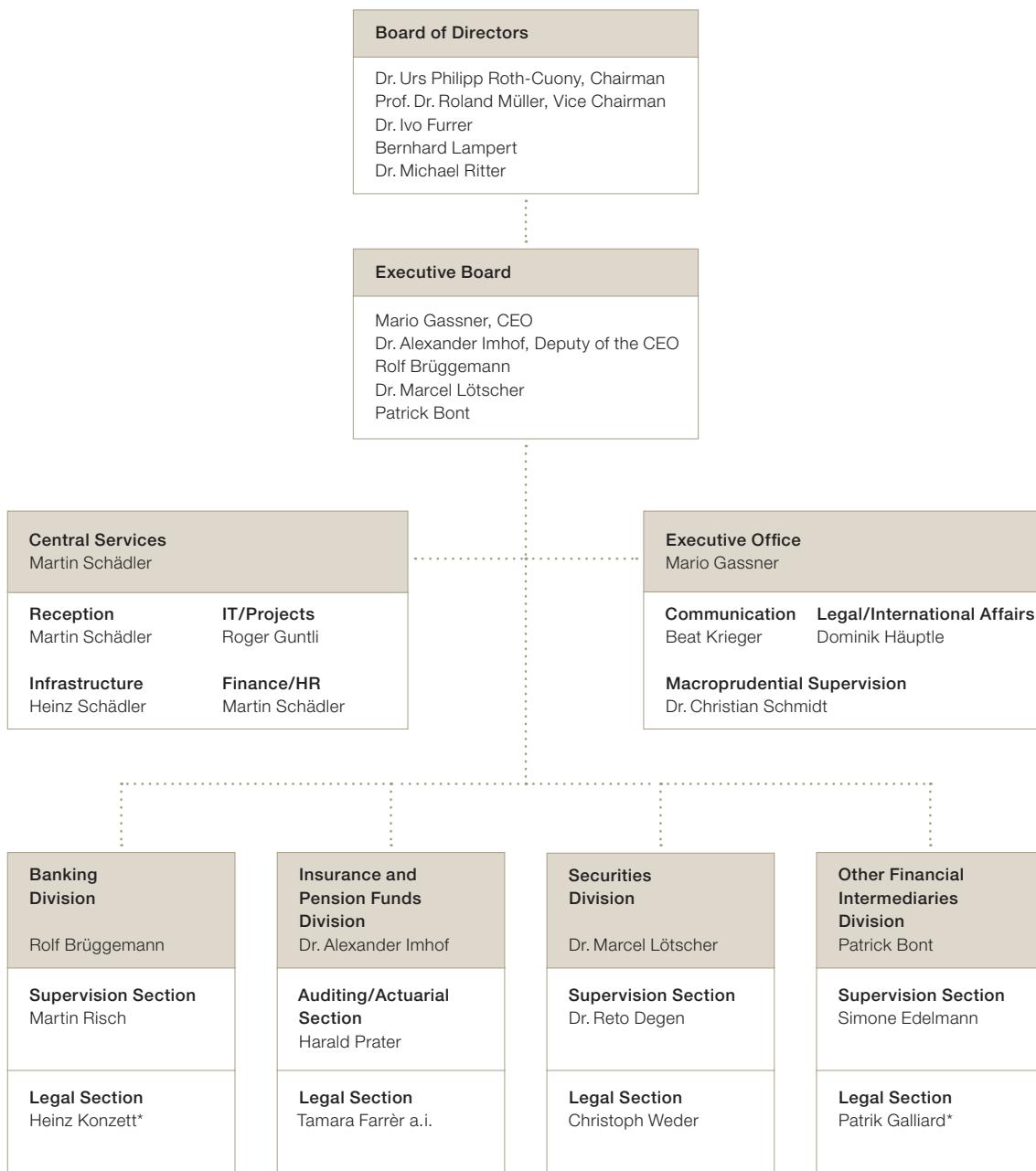


Figure 20  
Organizational chart

\* Deputy Head of Division

## ANNEX

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### Governing bodies of the FMA as of 31 December 2014

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	
<b>Chairman</b> Dr. Urs Philipp Roth-Cuony, Zug, elected from 2012 to 2016	<b>Members</b> Dr. Ivo Furrer, Winterthur, elected from 1 July 2011 to 30 June 2016 Bernhard Lampert, Triesen, elected from 2010 to 2014 and from 2015 to 2019 Dr. Michael Ritter, Eschen, elected from 2010 to 2014 and from 2015 to 2019
<b>Vice-Chairman</b> Prof. Dr. Roland Müller, Staad, elected from 2010 to 2014 and from 2015 to 2019	
Executive Board	
<b>Chief Executive Officer</b> Mario Gassner, Triesenberg	<b>Head of Banking Division</b> Rolf Brüggemann, Stäfa
<b>Deputy of the CEO and Head of Insurance and Pension Funds Division</b> Dr. Alexander Imhof, Schaan	<b>Head of Securities Division</b> Dr. Marcel Lötcher, Baden
	<b>Head of Other Financial Intermediaries Division</b> Patrick Bont, Niederteufen
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 (RA2010/463). 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

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For other laws, see Annex “Laws subject to supervision and enforcement by the FMA” (p. 96)

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 Federal Market Supervisory Authority
FIU	Financial Intelligence Unit
FMA-CC	FMA Complaints Commission
FSRBs	FATF-style Regional Bodies
GzA	Swiss Principles for Statutory Audits

## ANNEX

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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)
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
PEP	Politically Exposed Person
PRIPs	Packaged Retail Investment Products
PVS	Pension Insurance for State Employees
SIFA	Office for International Financial Affairs
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

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**Concept and Design**

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**Photo Concept**

Sven D. Beham, Ruggell

The bird eggs were made available by Peter Niederklopfen,  
Office of the Environment/Natural Science Collection.

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



Eurasian magpie  
*Pica pica*



Eurasian coot  
*Fulica atra*



Song thrush  
*Turdus philomelos*

#### Domestic birds

134 breeding bird species are known in Liechtenstein. Their habitat requirements vary strongly depending on the species, posing great challenges for land management and environmental protection. As fascinating and diverse as the birds themselves are their eggs, which mark the beginning of every bird's life. In collaboration with Peter Niederklopfen, the photographer Sven Beham has presented a selection of bird eggs in the best light for this Annual Report. The FMA would like to thank the Office of the Environment ([www.au.llv.li](http://www.au.llv.li)) and the Liechtenstein National Museum ([www.landesmuseum.li](http://www.landesmuseum.li)) for their generous support in realizing this concept.



Common chaffinch  
*Fringilla coelebs*



Western yellow wagtail  
*Motacilla flava*



Carrion crow  
*Corvus corone*

