



**FMA**

Financial Market Authority  
Liechtenstein



**ANNUAL  
REPORT  
2021**



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## MOST FAMILY-FRIENDLY

As part of the Government's "family-friendly '21" campaign, the FMA was awarded the title of most family-friendly company. The FMA attaches great importance to the compatibility of family and career. An updated human resources strategy aims to ensure that the FMA remains an attractive employer for women and men in all positions.



# 12 YEARS

## HANDOVER ON THE BOARD OF DIRECTORS

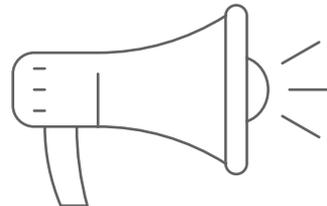
After 12 years in the service of the FMA, Roland Mueller handed over the Chairmanship of the Board of Directors to his successor Christian Batliner at the end of December. Roland Mueller was Vice Chairman of the Board of Directors from 2010 to 2016 and Chairman from 2017 to 2021. Christian Batliner joined the Board of Directors at the beginning of 2020. Continuity is also ensured by Vice Chair Michèle Borgeaud, Yvonne Lang Ketterer, and Juerg Meier.

## ANTI-MONEY LAUNDERING ASSESSMENT

During the reporting year, MONEYVAL, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, conducted a country assessment of Liechtenstein's defence mechanism. The FMA monitors financial intermediaries' compliance with the due diligence requirements set out by law and imposes sanctions in the event of violations. The assessors interviewed more than 20 FMA employees in nine intensive interviews.

# 20

EMPLOYEES



## PUBLIC INFORMATION

On 8 February 2021, the FMA informed the public that it had appointed a temporary administrator for Mason Privatbank AG for the purpose of protecting clients. On 15 March, the bank issued a press release informing the public of the decision to voluntarily liquidate the bank. At the same time, the FMA informed the public that, in order to ensure client protection, it was taking the measures necessary for the implementation of the liquidation and resolution of ongoing business and was monitoring the liquidators and the liquidation.

## PRINCIPLES OF ENFORCEMENT

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Enforcement refers to the enforcement of supervisory law. With the strong regulation of the financial sector and expanded powers for supervisory authorities, enforcement has become more important in recent years. The rigorous prosecution of breaches of supervisory law is intended to have a preventive effect. In the reporting year, the Board of Directors defined ten principles of enforcement.



## FOCUS ON CYBERSECURITY

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Cyber risks pose challenges for the FMA and financial market participants. Security incidents in the use of information technology, such as data leaks and system failures, can cause major damage. The FMA has therefore issued a guideline on dealing with cyber risks and reviewed its own security concept in this regard.

## STEP-BY-STEP MORE DIGITAL

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The digital transformation has greatly challenged and changed the FMA in recent years. The most important milestones can be seen in the timeline.

## THE CLASSIC HIKING TRAIL

### HIGH ABOVE LIECHTEN- STEIN: BREATHTAKING & ADVENTUROUS

#### HEADING TO THE MOUNTAINS AFTER WORK

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The classic hiking trail high above Liechtenstein is breath-taking and adventurous. Simone and Sonja hiked it with their dog Kara and were thrilled. FMA Career Travel Blogger Annika accompanied the three mountain hikers with her camera on standby. It's truly a privilege to have such an amazing mountain landscape right at your doorstep.



The Liechtenstein financial centre is in very good shape and on a growth path. The financial sector has continued to perform reliably in the second year of the Covid-19 pandemic, supporting the real economy. The Liechtenstein economy as a whole has demonstrated high resilience during the global recession.

With the outbreak of war in Ukraine, however, the financial sector is once again facing a major and unexpected challenge. In addition to the high volatility on the financial markets, the rise in energy and food prices and the associated supply shock will have a significant impact on the global economy and further increase inflationary pressure. The FMA is in close contact with financial intermediaries in order to properly classify the risks and address them effectively by means of suitable micro- and macroprudential instruments.

During the second year of the Covid-19 pandemic, the FMA team mainly worked together virtually. With the FMA's high level of digital maturity, the technical requirements for smooth supervisory operations were met, but the work situation was challenging for all employees. They deserve our deepest thanks for their positive attitude and reliable work during this time.

In this Annual Report, we portray our core principles. These core principles guide us in the way we work and outline the values we uphold to achieve our goals. In addition to this internal impact, the core principles show our stakeholders what we stand for. We and our work should be measured by these core principles.

The principles of the enforcement of supervisory law, which we defined during the reporting year, are also intended to provide guidance for employees and trans-

parency for market participants. Enforcement has become more important in our supervisory activities. Rigorous enforcement of the complex and extensive supervisory law is intended to eliminate defects and achieve a preventive effect.

The FMA is an attractive employer. In 2021, it was recognised as the most family-friendly company in Liechtenstein. An updated human resources strategy is intended to secure the FMA's attractiveness as an employer. The strategy builds on what has proven to be effective, and it includes developments in the working world such as new forms of work and changing needs of employees.

Our authority has been taking a close look at sustainable finance. The FMA supports the Government in regulatory projects and incorporates the new rules – to prevent greenwashing, for instance – into its supervisory activities. The financial sector has a major role to play in achieving sustainability goals. The FMA must, of course, also act sustainably in the environmental and social context and as part of good corporate governance.

In the reporting year, Liechtenstein's anti-money laundering (AML) defence mechanism was assessed by MONEYVAL. Anti-money laundering has been a priority for the FMA for many years. In 2019, the FMA



consolidated AML within a special unit and strengthened its staff. AML measures have proven to be efficient and effective. Another priority is cybersecurity among financial market participants. The FMA has issued a guideline defining the requirements for the security of information and communication technologies.

When his term of office expired at the end of 2021, Chairman Prof. Dr. Roland Mueller stepped down from

Dr. Christian Batliner  
Chairman of the Board of Directors



the Board of Directors. Roland Mueller had joined the Board of Directors in 2010. The Board of Directors, all the members of which were newly appointed at that time, was tasked with establishing the FMA as an internationally integrated and recognised authority in light of the increased demands on supervision following the global financial crisis. Roland Mueller served as Vice Chairman of the Board of Directors from 2010 to 2016 and Chairman from 2017 to 2021. We thank him for his many years of dedication to the FMA.

Mario Gassner  
Chief Executive Officer

# SUSTAINABLE FINANCE

The financial sector can make a crucial contribution to achieving international sustainability goals, for example by offering sustainable investments. The focus is currently on environmental and climate risks. However, sustainability also encompasses responsible corporate governance and social aspects such as fair working conditions and respect for human rights.

Sustainable finance is understood to mean forms of financial services in which financial intermediaries integrate sustainability criteria – in particular environmental, social, and governance criteria – into their business or investment decisions. The aim is to achieve sustainable benefits for the customer, the environment, and society.

While sustainability is not limited to the natural environment, the current focus is, indeed, on environmental and climate risks. As part of the Green Deal, the European Union has set itself the goal of making the transition to a modern, resource-efficient, and competitive economy. The goals include no net greenhouse gases emissions by 2050. Liechtenstein has committed to reducing its emissions by 40% by 2030 compared to 1990. The financial sector can make a crucial contribution to achieving international sustainability goals, for example by offering sustainable investments.

The inclusion of the financial services sector to achieve these objectives relies on several legal acts, such as the sustainability-related Disclosure Regulation and the Taxonomy Regulation. In 2021, the FMA drafted the EEA Financial Services Sustainability Implementation Act on behalf of the Government to transpose the European requirements. These legal acts are intended, in particular by means of transparency rules, to redirect private capital flows in the direction of sustainable investments and prevent greenwashing.

Supervisory authorities consider climate risks to be a core risk for the financial sector. A distinction is made between, firstly, physical risks such as extreme weather events or rising sea levels with all their consequences – for example, the collapse of supply chains – and, secondly, transition risks arising from the shift to a low-carbon economy, which may jeopardise companies and financial products that fail to



adapt. Sustainability risks also arise when social and governance criteria are insufficiently taken into account, for example in the form of loss of reputation. Sustainability risks are therefore included in the risk management of financial service providers. Investing and acting ethically and sustainably and assessing counterparties in accordance with ESG criteria can greatly reduce the risk exposure of financial service providers.

Numerous financial market participants in Liechtenstein already have or are creating a sustainability strategy that largely incorporates the inclusion of sustainability risks and sustainability factors into their business strategy. Sustainable finance represents a challenge for financial service providers, but an active approach also offers great opportunities for the Liechtenstein financial centre.

For the FMA as a supervisory authority, sustainability has become a much more important topic: firstly, through legal acts at the European level, which are being transposed into national legislation in Liechtenstein, and secondly, through the inclusion of these rules in supervisory activities. In July, the FMA pub-

lished a fact sheet for financial service providers on how to integrate sustainability factors into their business activities. The FMA itself likewise has a responsibility to incorporate sustainability more strongly in its thinking and action. Sustainability is a wide-ranging topic in the human resources strategy adopted in December. A dedicated sustainability strategy will also be developed in 2022.

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### **ESG CRITERIA: ENVIRONMENTAL, SOCIAL, GOVERNANCE**

The environmental, social, and governance criteria for sustainability are summarised under the abbreviation ESG. Key environmental criteria include climate protection, low-impact resource management, use of renewable energies, and reduction of the environmental footprint. Social criteria include the creation of fair working conditions, respect for human rights, and investment in workplace safety. Forced labour and child labour are also excluded. Governance refers to ensuring responsible corporate governance.

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# CYBERSECURITY – A CHALLENGE FOR THE MARKET AND THE FMA

Nearly 90% of all companies in the EU were affected by at least one cyberattack in 2021. Fortunately, most companies have escaped relatively unscathed from these attacks. Other cases, however, such as those involving Stuxnet and WannaCry, may have a severe impact. The FMA accordingly attaches great importance to cybersecurity.

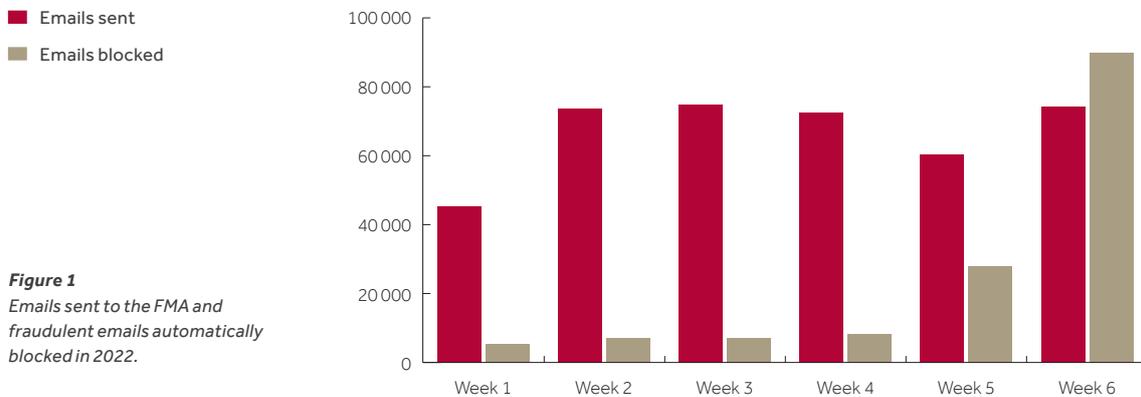
Cyber risks pose challenges for both financial market participants and the FMA. Security incidents in the use of information and communication technologies, such as data leaks and system failures, can cause major damage. Attacks with criminal intent are also becoming more widespread. The damage caused worldwide by cybercrime is estimated to be about CHF 3 million – per minute.

Financial service providers are among the most popular targets of cyberattacks. Not only the companies themselves are in danger. The attacks endanger the protection of clients and ultimately also the stability of the entire Liechtenstein financial market. At the same time, the FMA is also exposed to the risk of cyberattacks. The FMA therefore attaches great importance to cybersecurity. To ensure the protection of clients and financial stability, the FMA has issued

a guideline on dealing with risks related to information and communication technologies (ICT risks). The FMA has also revised its on security arrangements.

With its ICT Guideline, the FMA is strengthening the security of the financial sector, defining the requirements in line with international standards that intermediaries must meet when dealing with ICT risks. ICT security incidents such as data leaks or system failures can result not only from external events such as cyberattacks, but also from internal deficits or inadequate infrastructure. Increasing interconnectedness increases the potential vulnerability of the ICT infrastructures of financial service providers.

Clear specifications are intended to minimise the risk of ICT security incidents and show market participants how they can counter ICT risks. The ICT Guideline also



**Figure 1**  
Emails sent to the FMA and fraudulent emails automatically blocked in 2022.

contains requirements for the strategy and governance of financial service providers as well as for information security risk management and the associated structures and processes.

Proportionality is taken into account. The rules are based on the financial service provider's risk structure, complexity, size, scope, and type of business.

The FMA itself also regularly reviews its IT security system. Since the FMA's IT infrastructure is operated by the Office of Information Technology, the FMA is integrated into the risk-based security strategy of the Office of Information Technology and participates in regular tests and training.

In addition to technical security measures, employees are the most important element in the FMA's security concept. Employees are regularly informed and trained on current cyber threats. Cybersecurity also plays an important role in the initial training of incoming employees.

A particular threat arose from the introduction of the comprehensive requirement to work from home during the Covid-19 pandemic. The FMA commissioned an external service provider to conduct a security audit of the remote access infrastructure. No critical

vulnerabilities were discovered. Nevertheless, the FMA, together with the external service provider and the Office of Information Technology, defined and quickly implemented measures to further improve IT security.

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### THE GREATEST VULNERABILITY IS THE HUMAN BEING

Phishing is an especially popular form of cyber-attack. Attackers exploit the greatest vulnerability of IT systems, namely that human beings make mistakes when using computers, making attacks possible in the first place through careless clicks. When engaging in phishing, cybercriminals purport to be trustworthy communication partners and trick the addressees to disclose sensitive data or directly install malware. After the attackers have created an access point in this way, the actual attack follows. Even if many phishing attacks can be filtered out on a technical level, the vulnerability continues to be the human being. It is therefore important to raise employees' awareness of IT dangers.

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# HIGH MORTGAGE DEBT INVOLVES RISKS

About 1500 households in Liechtenstein have debts in excess of CHF 1 million. On average, household debt is more than twice as high as annual disposable income. This is one of the highest ratios in Europe. The high level of household debt entails risks – both for the private households and for the banking sector.

In accordance with its mandate to safeguard financial stability, the FMA continuously examines current developments and risks in the Liechtenstein economy. As part of this examination, the FMA has also conducted an analysis of the real estate and mortgage market. The risk analysis identifies a high vulnerability of Liechtenstein households. Private household debt relative to disposable income is very high compared to other European countries. Household debt relative to disposable income is considered an important indicator of household vulnerability. In Liechtenstein, this ratio is about 226% – despite the relatively low tax burden. This ratio is the second highest in Europe, behind Denmark and just ahead of Switzerland. This comparison already shows that the vulnerability of households in Liechtenstein represents the main risk in terms of mortgage debt. On average for all EEA countries and Switzerland, this ratio is slightly more than 100%. Debt relative to income is especially high in countries where there are certain tax incentives

not to repay mortgages. It is all the more surprising that Liechtenstein – where such tax incentives hardly exist – is also at the top of the country comparison.

By contrast, the vulnerability of the mortgaged asset and of financing are classified as moderate. The development of real estate prices is an important indicator of the vulnerability of the mortgaged asset. An esti-

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**The goal is to strengthen  
the risk awareness of  
mortgage borrowers.**

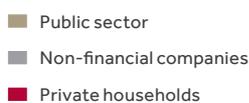
mate of land prices based on expert opinions shows a virtually steady rise in prices since the mid-1970s, but the price momentum has slowed significantly since the turn of the millennium. The increase in land prices is due to the special characteristics of the Liechtenstein real estate market. Land is a scarce commodity in Liechtenstein. Available figures on affordability indicate that real estate prices in Liechtenstein – relative to income – tend to be in the expensive range compared to other countries internationally. With regard to the vulnerability of financing, the good capitalisation of banks is an especially important indicator of comparatively low risk. The high share of fixed-interest loans, however, implies risks for the banks should interest rates rise.

Possible measures to address the risks include improving data availability, introducing borrower-based measures, and raising risk awareness among the public. The FMA strives to promote understanding of risks among borrowers through open and transparent communi-

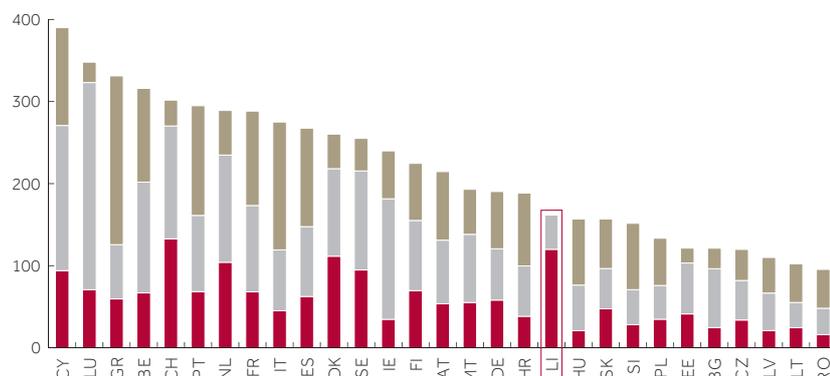
cation. Along these lines, the FMA presented its findings at a public event in October and published them in a [report](#).

### VULNERABILITIES IN THE MORTGAGE MARKET

To assess potential stability risks in the real estate and mortgage market, three factors are examined: household vulnerability (household stretch), the vulnerability of the mortgaged asset (collateral stretch), and the vulnerability of financing (funding stretch). Household stretch takes account of a borrower’s probability of default. Collateral stretch takes account of price indicators for real estate, which is used as collateral for debt. Funding stretch takes account of the risk associated with credit indicators. Household stretch in particular is classified as comparatively high in Liechtenstein.



**Figure 2**  
Sectoral debt  
(% of GDP)  
Sources: ESRB, BIS, Office of Statistics,  
FMA, SNB, Swiss Federal Statistical Office.



PROGRESS REPORT

# SUPERVISION AND RESOLUTION

The Liechtenstein financial centre is solid and stable. The financial sector has continued to prove itself as a pillar of the economy in the second year of the Covid-19 pandemic. However, the high valuations of the equity markets, the low-interest rate environment, the war in Ukraine, rising inflationary pressure, and turbulences caused by the pandemic pose risks. The FMA focused on ICT and cyber risks, as well as risks in the real estate and mortgage markets. Liechtenstein has a high level of household mortgage debt. Enforcement of supervisory law has become more important after the financial crisis. The FMA has defined principles of enforcement, increasing transparency for market participants. In the reporting year, Liechtenstein's anti-money laundering mechanisms were reviewed by an international team of experts. By monitoring financial market participants for compliance with due diligence requirements, the FMA reduces money laundering risks. The FMA continues to assess these risks as high, however.

## LIECHTENSTEIN NATIONAL ECONOMY PROVES RESILIENT

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The world economy recovered strongly in 2021, but this was increasingly accompanied by supply bottlenecks in global trade and rising inflationary pressure. After challenging months at the turn of the year, the second and third quarters were characterised by a strong recovery of the global economy. Already in the summer, however, the economic outlook became increasingly gloomy again. Growth in global trade activity turned negative again against the backdrop of supply and transport bottlenecks in global trade, and at the same time, high and rising inflationary pressures in both the real and financial economy caused increasing uncertainty. At the end of the year, the United States recorded its highest inflation rate in nearly 40 years, and inflation in the Eurozone also rose to its highest level since the introduction of the single currency (Chart 3).

Nevertheless, global equity markets were trading close to their record levels at the end of the year, against the backdrop of strongly negative real interest rates. Low real interest rates, depressed risk premiums, and high valuations on the financial markets entail the risk of dramatic price corrections in the event of interest rate or growth shocks. In light of increasing inflation fears and corresponding expectations that the US Federal Reserve will raise interest rates several times, the equity markets already fell noticeably at the beginning of 2022.

The supply shock in the energy and food sectors triggered by the conflict in Ukraine will further increase the pressure on central banks to tighten monetary policy. Against this backdrop as well, the financial market correction has once again accelerated significantly since the end of February, especially in Europe.

The Liechtenstein national economy has recovered faster and more strongly from the pandemic-induced recession than other economies internationally. Compared with larger national economies, Liechtenstein's gross domestic product (GDP) is usually characterised by higher volatility and is thus especially vulnerable to global economic downturns. The deep recession during the global pandemic nevertheless constituted a striking exception. The rapid recovery of external demand due to the strong rebound in global trade beginning in the second half of 2020 was especially important for Liechtenstein, not only because of the small size of the national economy and the minor role of domestic demand, but also because the industrial sector is by far the largest economic sector. As a result – and in contrast to most European economies – Liechtenstein's GDP was able to exceed its pre-crisis level already in the first quarter of 2021.

Once again, Liechtenstein's economy was able to demonstrate its high resilience to global macroeconomic shocks, which is also due to several crucial structural features, including an extremely resilient labour market. Also in Liechtenstein, however, the subsequent economic slowdown was already noticeable in the second half of the year. The KonSens economic index, which is calculated by the Liechtenstein Institute on a quarterly basis, declined significantly over the course of the year.

The Liechtenstein financial sector remained remarkably stable in the challenging global environment of the past two years. In contrast to banks in the Eurozone and the United States, the decline in profitability in the Liechtenstein banking sector during the Covid-19 pandemic was very limited. Instead, the banking sector continued on its growth path and reached a new record level of assets under management in the reporting year, rising to a level of CHF 424.4 billion as of the end of 2021.

— United States  
— Eurozone  
— Switzerland



**Figure 3**  
Inflation (annual)  
Source: Bloomberg.

The significant increase is in part attributable to positive market developments, but is also driven by substantial net new money inflows, especially through foreign subsidiaries. Despite the strong growth in assets under management and bank balance sheets, capitalisation of the banking sector continues to be significantly higher than the international average, with a CET1 ratio of 21.7% at the end of 2021. During the crisis, the banking sector has thus once again benefited from high capital and liquidity levels, given that the high level of stability and the resulting client confidence encouraged new net new money inflows and the associated increase in business volumes.

In general, profitability in the European banking sector remains subdued in light of the low interest rate environment, the high cost/income ratio, and the expected worsening of asset quality. In general, while the Liechtenstein banking and insurance sector is not very vulnerable to the low interest rate environment, increasing profitability challenges will arise over the coming years due to the consequences of the global pandemic, the unexpected outbreak of war in Ukraine, and the related sanctions. Given low real interest rates, the valuation of equity and real estate markets in many countries continues to appear extraordinarily high – despite recent corrections – while debt across many sectors has continued to rise during the Covid-19

crisis. The combination of these factors makes financial markets vulnerable to further interest rate or growth shocks.

## TRENDS AND RISKS

Each December, the FMA publishes the priorities of supervision for the following year. These are based on a prior assessment of trends and risks, which are summarised below.

**Market development:** The economic outlook continued to improve in the first half of 2021. The Liechtenstein economy in general and the financial sector in particular showed remarkable resilience in the challenging environment of the Covid-19 pandemic. The pandemic has intensified the challenges for the business models of banks, insurers, and pension schemes. The financial stability analysis once again demonstrated the soundness and stability of Liechtenstein's financial sector, with systemic risks assessed as low. At the end of 2021, the financial markets were characterised by rising and in some cases record-high valuations in all asset classes. Both the FMA and the European supervisory authorities have concerns about the sustainability of market valuations.

**Residential real estate and private debt:** Compared with other countries, Liechtenstein has a strikingly high level of private household debt. The main reason for the high household debt is mortgages. The high level of private household debt entails risks – both for the households themselves and for the banking sector.

**Money laundering risks:** Liechtenstein's financial service providers are mainly active in cross-border business. The financial centre is accordingly heavily focused on providing services for persons abroad. This international focus offers Liechtenstein financial market participants many opportunities, but also entails certain risks due to the persons and countries involved and the increasing complexity of business relationships. The FMA continues to assess money laundering risks as high.

**Environmental, social, and governance risks (ESG):** Climate risks in particular constitute a core risk for the financial centre. At the same time, the financial sector plays a key role in achieving the climate targets. Numerous intermediaries already have a sustainability strategy that largely incorporates environmental, social, and governance (ESG) risks into their business strategy or good business management principles. Given that the regulatory requirements are still not sufficiently detailed, there is a risk of "greenwashing" – i.e. the pretence of environmental responsibility without a sufficient basis.

**ICT and cyber risks:** Cyber incidents constitute a systemic risk for the financial system, with the potential to severely impact critical financial services and operational workflows. Decentralised forms of work and digital business models have increased the dependence on a smoothly functioning infrastructure. IT breakdowns or cyberattacks not only disrupt operations, but also impact the availability, confidentiality, and integrity of systems and data. They often lead to significant financial losses and reputational damage. The FMA has taken into account the growing importance and increase in cybercrime and has issued cross-sectoral rules for ICT security.

**Structural dependence:** Liechtenstein financial intermediaries use the Swiss financial market infrastructure to a substantial extent. Challenges arise from Liechtenstein's membership in both the Swiss franc currency area and the European Economic Area (EEA). Access to service providers or infrastructures in third countries is subject to increasingly extensive restrictions, generally requiring an equivalence decision by the European Commission. The suspended negotiations between Switzerland and the EU on an institutional framework agreement are also having a blocking effect on pending equivalence decisions. As time passes, the risk of losing access increases.

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The FMA continues to assess money laundering risks as high.

## PRINCIPLES OF ENFORCEMENT

Enforcement refers to the enforcement of supervisory law and is part of supervision. Enforcement has become increasingly important in recent years. After the financial crisis, the financial sector faced a massive wave of regulation; at the same time, the supervisory authorities themselves and their powers in the enforcement of supervisory law were strengthened. When breaches of supervisory law are identified, they should be rigorously pursued, also to achieve a preventive effect.

As the national supervisor in the European System of Financial Supervision (ESFS), the FMA is directly affected by these developments and has strengthened enforcement in recent years. In the reporting year, the Board of Directors adopted principles for the FMA's enforcement activities. These principles spell out the FMA's understanding of the enforcement of supervisory law. In this way, the FMA creates transparency vis-à-vis market participants and the public, and the FMA's actions become more predictable. At the same time, the principles have an internal effect by providing the framework for the FMA's internal enforcement rules at the operational level.

**Enforcement as part of supervision:** The FMA clarifies any indications it finds of violations of the laws assigned to the FMA for execution or of general criminal law. If the FMA arrives at a justified suspicion as a result of these preliminary investigations, or if the circumstances indicate that the reputation of the Liechtenstein financial centre is jeopardised, it initiates administrative or administrative criminal proceedings, establishes the facts of the case, and orders any necessary measures and fines (enforcement).

**Goals of enforcement:** Through enforcement, the FMA consistently implements the legal provisions assigned to the FMA for execution, demonstrating

that violations of the law are discovered and punished. In doing so, it strengthens the reputation of the Liechtenstein financial centre and the credibility of its supervision for the protection of clients, the prevention of abuses, and the implementation of and compliance with recognised international standards. It coordinates with domestic and foreign authorities for this purpose.

**Proceedings against responsible individuals:** With the exception of market supervision, where the focus is on individual misconduct, the FMA concentrates on addressing identified grievances among supervised entities. But the FMA does reserve the right to also conduct administrative proceedings against individuals who are responsible for serious violations of supervisory law, thus no longer providing a guarantee of proper business conduct.

**Opening of proceedings:** When opening administrative proceedings, the FMA takes into account the danger to clients, the reputation of the financial centre, the gravity and timing of the violations of supervisory law, and the function of the parties responsible for the violation. Essential criteria include, in particular, the nature of the violation of supervisory law, the supervisory priorities of the FMA, public expectations, and corrective measures initiated by the parties.

**Fair and transparent procedures:** The FMA conducts its proceedings fairly and safeguards the constitutional and statutory procedural rights of the parties, such as the right to inspect files or to be heard. The FMA maintains clearly structured and complete files for this purpose. It informs the parties about the opening, status, and discontinuation of proceedings. On an exceptional basis, it may defer disclosure of this information in the interest of the proceedings.

**Focused and rapid proceedings:** The FMA conducts its proceedings rapidly, decisively, and in a focused manner in the interest of the public and of the parties.

It strictly opposes any attempts by parties to delay proceedings. It continuously examines whether the subject matter of the proceedings can and must be limited.

**Uniform enforcement process:** The FMA ensures that its proceedings are conducted in a uniform and consistent manner. It trains the persons entrusted with enforcement to maintain a professional standard, and it draws the necessary conclusions from enforcement for supervision and also for future proceedings.

**Involvement of mandated experts:** To the extent appropriate and economically justifiable, the FMA mandates experts to support it in enforcement and to clarify facts relevant under supervisory law on site, as special administrators to perform functions as governing bodies at supervised entities, or to inspect implementation of measures ordered by the FMA. The FMA selects these experts in a transparent process and monitors their activities as well as the costs incurred and to be borne by the parties.

**Criminal proceedings and criminal complaints:** Where the FMA comes across indications giving rise to sufficient suspicion of a criminal offence, it opens administrative criminal proceedings or files a criminal complaint with the Office of the Public Prosecutor if, in its estimation, the objective elements of the offence are likely fulfilled and a criminal conviction cannot be ruled out in the light of case law.

**Public information on enforcement:** The FMA sets out how it applies and interprets supervisory law by publishing selected cases in its Annual Report and FMA Practice and by summarising the penalties it imposes on its website. In cases of high public interest,

it also reports proactively and, if necessary, by name on the opening and conclusion of proceedings and the measures and penalties imposed in the interest of protecting clients, correcting false and misleading information, and safeguarding the reputation of the Liechtenstein financial centre.

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### **FINTECHS AND CLASSIC FINANCIAL SERVICE PROVIDERS: DIFFERENT LEVELS OF PROTECTION**

The Token and Trustworthy Technology Service Provider Act (TVTSG) entrusts the FMA with the registration and ad hoc supervision of certain service providers that provide their service on TT systems. These TT service providers often offer similar services to classic financial service providers. For example, a token depositary may provide its clients with a cryptocurrency account through which they can carry out transactions. The cryptocurrencies are then held in custody by the TT service provider. The TVTSG introduces minimum requirements for all TT service providers in Liechtenstein and ensures basic protection of users. TT service providers are not subject to the same regulatory requirements as classic financial service providers, however. The review conducted for the registration of a TT service provider is more limited in both scope and depth. TT service providers are also not subject to ongoing prudential supervision, but rather to ad hoc supervision. The level of protection of clients ensured by supervision accordingly differs from that of a licensed financial service provider.

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## ANTI-MONEY LAUNDERING: ASSESSMENT OF LIECHTENSTEIN'S DEFENCE MECHANISM

The FMA plays an important role in Liechtenstein's anti-money laundering (AML) defence mechanism. The FMA monitors compliance with the statutory due diligence obligations to combat money laundering by the parties subject to due diligence, such as banks, insurance undertakings, asset managers, and professional trustees, and it imposes penalties in the event of violations. For this purpose, the FMA evaluates the information from the Due Diligence Act (SPG) reporting system and conducts on-site inspections. In the reporting year, the FMA imposed 26 legally binding fines amounting to CHF 504,500 for violations of the Due Diligence Act.

In April 2019, the FMA reorganised its AML and consolidated it within a specialised unit. This centralisation of supervision and enforcement across all sectors of the financial centre and the staffing increases have enhanced the effectiveness and efficiency of AML supervision. Supervision is risk-based, and the intensity of supervision and allocation of resources are accordingly determined by the risk profile of the financial intermediary. A change in strategy was also made with regard to the FMA's own on-site inspections. By significantly increasing the number of its own inspections, the FMA gains a more direct insight into the risk understanding and quality of preventive measures in the individual financial sectors.

During the reporting year, Liechtenstein was assessed by MONEYVAL, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism and one of the nine regional bodies of the standard-setting Financial Action Task Force (FATF), for compliance with international AML standards. Liechtenstein is a

member of MONEYVAL. Like the FATF, the regional bodies conduct peer reviews of their member countries.

Preparations for the assessment of Liechtenstein tied up significant human resources in the reporting year. Preparatory work had already been necessary in the previous year. Prior to the on-site assessment, two complex and comprehensive questionnaires had to be submitted to MONEYVAL. In the Technical Compliance Questionnaire, the assessed country must demonstrate the suitability of its legal framework to achieve the international goals of combating money laundering and terrorist financing. The FMA was responsible for a large part of the questions in the questionnaire, and in some cases it was directly responsible for the answers. Liechtenstein received a good assessment for the Technical Questionnaire. The Effectiveness Questionnaire, which measures the effectiveness of the market and the authorities in combating money laundering and terrorist financing, was even more complex. Two of the eleven chapters were the direct responsibility of the FMA, whose responses stretched over several hundred pages. This preliminary work was deemed by the MONEYVAL assessors to be exceptionally comprehensive and conclusive. In the months leading up to the on-site assessment, investments were made in education and training. Numerous workshops and mock interviews were conducted for this purpose. This preparation resulted in a very positive deepening of cooperation between market participants and the FMA.

During the on-site assessment from 6 to 17 September 2021, the MONEYVAL assessors interviewed more than 20 FMA employees in nine intensive interviews. On the final day, the assessors emphasised the high level of professionalism of the AML specialists. Following the on-site assessment, the team of assessors requested further documents and information.

# 01

**WE  
SUPERVISE  
EFFICIENTLY,  
CONSISTENTLY,  
AND EFFECTIVELY.**

- We are independent in the fulfilment of our supervisory mandate.
- We grant licences 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.

In November, the first draft of the Mutual Evaluation Report (MER) was available for comments and corrections. This process will be repeated in the first quarter of 2022 before a final oral discussion in Strasbourg in March 2022. In mid-May 2022, the MER will be presented to the MONEYVAL Plenary. The publication of the report on the country assessment is expected in July 2022.

### **SUPERVISORY AUDIT IN THE FIDUCIARY SECTOR**

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On 6 July 2021, the Audit Guideline on the Trustee Act (FMA Guideline 2021/4–RPR-TrHG) entered into effect. It deals with the duties of auditors in performing the supervisory audit of professional trustees and trust companies. In particular, it sets out the objectives for auditors and explains the nature and scope of the audit. It contains information and requirements on the scope of the audit and specifies the principles to be observed when carrying out such audits and the associated reporting.

The RPR-TrHG is based on the revision of the Trustee Act (TrHG), which entered into effect on 1 July 2020. The aims of the revision are to ensure quality in the fiduciary sector; strengthen client protection, confidence in the industry, and international recognition; and preventively counter abuses. To achieve these aims, professional obligations have been set out by law in the areas of governance, internal control, risk management, financial soundness, conflicts of interest, accounting, and reporting. At the same time, new effective supervisory instruments and powers have been transferred to the FMA, and ongoing supervision of professional trustees and trust companies has been established.

The core element of this strengthened supervision is the above-mentioned, newly introduced annual supervisory and financial statement audit. The audit examines permanent fulfilment of the licensing requirements and compliance with professional obligations. The audit report of the external auditor is analysed by the FMA so that it can counter any undesirable developments as early as possible. Typically, the supervisory audit is integrated into the financial statement audit. Where necessary, however, the supervisory audit can also be performed separately from the financial statement audit. The annual supervisory audit is conducted on the basis of a rotation rule defined by the FMA and set out in the RPR-TrHG. The rotation rule is designed to achieve the audit objectives through a staggered audit procedure.

An initial supervisory audit based on the RPR-TrHG will take place in 2022 for the 2021 fiscal year. This supervisory audit was prepared jointly with representatives of the Liechtenstein Institute of Professional Trustees and Fiduciaries and the Liechtenstein Association of Auditors. Special account was taken of the heterogeneity of the sector and the varying sizes of the companies.

### **MACROPRUDENTIAL SUPERVISION**

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The global financial crisis showed that – alongside microprudential supervision, which focuses on the stability of individual financial intermediaries – macroprudential supervision is crucially important for ensuring long-term financial stability. Macroprudential supervision refers to the monitoring of the stability of the financial system as a whole, with the aim of limiting the accumulation of systemic risks and strengthening the resilience of the financial sector.

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## **SUPERVISION AND ENFORCEMENT OF LAWS**

As of the end of 2021, the FMA is responsible for supervising and enforcing 38 laws (Financial Market Authority Act, [FMAG, Article 5\(1\)](#)), including the associated implementing ordinances and European Level 2 measures.

Laws newly included in 2021:

- Mortgage and Real Estate Credit Act
  - Auditors Act
  - Law implementing Regulation (EU) No 596/2014 on market abuse (EEA Market Abuse Regulation Implementation Act)
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Responsibility for macroprudential policy and supervision is divided among several actors in Liechtenstein. The mandate to safeguard financial stability falls to the FMA, given that Liechtenstein does not have its own central bank. In addition, a Financial Stability Committee (FSC) was established in 2019, composed of representatives of the Ministry of General Government Affairs and Finance and the FMA. The FSC can initiate supervisory measures or amendments to ordinances or laws by recommending macroprudential measures and risk warnings. The deliberations and discussions in the FSC are based on the financial stability analyses and expert opinions of the FMA.

Macroprudential supervision in Liechtenstein continued its ambitious programme in the reporting year, including macroprudential capital buffers for banks in Liechtenstein. On the basis of the FMA's expert opinions and risk analyses, the FSC recommended an adjustment of the capital buffers that will enter into

effect with the transposition of the new EU Capital Requirements Directive V (CRD V) in May 2022. The FMA also intensively dealt with the high level of indebtedness of private households in Liechtenstein and the associated risks in the real estate and mortgage market. The FMA prepared a [report](#) on this topic, performing a risk assessment and including several recommendations for addressing the identified vulnerabilities. The lively participation in the public event at which the report was presented in October demonstrates the high level of public interest in the real estate and mortgage market. A broad public discussion on the risks of high household debt is especially important in this regard to raise risk awareness among both lenders and borrowers.

Work on the recommendations of the European Systemic Risk Board (ESRB) in the context of Covid-19 were also continued this year. In addition to continuing its active participation in the ESRB bodies, the FMA also further strengthened its cooperation with other central banks, including meetings with representatives of the Swiss National Bank and an exchange on macroprudential supervision with the Austrian National Bank (Oesterreichische Nationalbank).

In addition to the [Financial Stability Report](#), which illuminates financial stability risks in the entire Liechtenstein financial sector and was published in November, the quarterly National Economic Monitor on international economic and financial market developments makes an important contribution to financial market stability. The publication also draws attention to the development of systemic risks in the Liechtenstein financial sector. The publications of the analyses, risk warnings, and recommendations of both the FMA and the FSC contribute to strengthening the risk awareness of market participants.

## LICENSES, APPROVALS, REGISTRATIONS

The provision of financial services requires a licence from the FMA. The licensing requirement creates barriers to entering the market. These barriers serve to ensure the high quality of market participants and the legitimacy of the business in the interest of client protection. The licence is therefore a mark of quality and a preventive control instrument of financial market supervision. The FMA not only issues licences, but also monitors ongoing compliance with the licensing conditions. Licensed financial intermediaries are required to notify the FMA immediately of any changes. The FMA reviews and approves changes to licences. Changes subject to notification and approval include, for example, changes to the general management or the board of directors, changes to qualifying holdings, or a change of auditor. If licensing conditions are not met on a permanent basis, the FMA will withdraw licences where necessary.

A consequence of the digital transformation of the financial sector is that the FMA's licensing activity is increasingly focused on business models based on new financial technologies. The challenge for the FMA is to understand these often complex, very technology-heavy business models and to identify risks. In order to prevent forum shopping – i.e. the exploitation of pluralistically structured regulatory areas – the practice of other supervisory authorities within Europe must also be taken into account. The Token and TT Service Provider Act (TVTg) creates legal certainty in this area. There was special interest in registrations as token issuers, as TT exchange service providers, and as token depositaries. At the end of 2021, registration applications from 16 companies for a total of 22 roles under TVTG were being evaluated.

The Regulatory Laboratory of the FMA is the contact point for questions regarding the obligation to register business models involving financial technologies.

During the reporting year, it received a total of 124 enquiries from the market (previous year: 134). Key topics were non-fungible tokens and the tokenisation of emission certificates. The examination of due diligence concepts to combat money laundering plays an important role in the registration of TT service providers. With the enactment of the TVTG, the FATF recommendations were implemented providing for SPG supervision for such services. Due to the technological complexity of the business models, the examination of the due diligence concepts has proven to be time-consuming.

In the reporting year, the number of banks in Liechtenstein decreased by one due to the voluntary liquidation of one institution. The number of licensed life insurance companies decreased by two. The consolidation observed in recent years also continued in the asset management sector, where 98 companies still held licences at the end of the year. A decrease in numbers due to consolidation can also be observed in the fiduciary sector.

Numerous new funds were established in the fund sector. The demand for alternative investment funds (AIFs) was greater than for undertakings for collective investment in transferable securities (UCITS). In terms of the potential assets of the funds, there continues to be strong demand for complex assets, even though classic securities are also a focus of the new funds.

In mid-2021, the FMA granted a licence to the first payment institution in Liechtenstein. Payment institutions are permitted to provide payment services in accordance with the Payment Services Act (ZDG) as well as ancillary activities on a commercial basis throughout the EU single market. These services include deposit and withdrawal transactions, management of a payment account, financial transfer transactions, account information services, and payment initiation services. The licence category for

payment institutions was introduced by the EU Payment Services Directive (PSD) and transposed in Liechtenstein with the Payment Services Act in 2009.

### **Approval of securities prospectuses**

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The FMA is responsible for reviewing and approving prospectuses and supplements for the public offer of securities or their authorisation for trading on a regulated market. The FMA reviews the securities prospectuses for completeness, coherence, and comprehensibility. Securities prospectuses aim to eliminate information asymmetries between investors and issuers. The number of approved prospectuses amounted to 30 (previous year: 38). Demand for prospectus approvals continues to be high. In the vast majority of cases, the approvals concern ordinary bond issues. FinTech-based issues are the exception.

### **Registrations under the TVTG**

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The TVTG entered into force on 1 January 2020. It tasks the FMA with registration and ad hoc supervision of TT service providers. In 2021, the FMA received registration applications from 16 companies for a total of 29 roles under the TVTG. Eight companies were registered for a total of 15 roles. The other eight companies withdrew their previously submitted applications for a total of 12 services. The withdrawals were mainly due to the fact that the roles applied for were not actually performed. As of the end of 2021, nine companies were registered as TT exchange service providers. TT exchange service providers exchange

legal tender against tokens and vice versa, as well as tokens for tokens. This typically includes ATMs at which cryptocurrencies can be exchanged. Eight companies are registered as token depositaries and seven as token issuers. Token depositaries safeguard tokens or private keys for third parties, e.g. in a safe or collective wallet. This also includes performing transactions for third parties. Token issuers publicly offer tokens on behalf of third parties or in their own name. No registration has yet taken place for the roles of TT protector, physical validator, TT verifying authority, and TT agent.

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### **GUIDANCE FOR CLOUD COMPUTING**

Cloud computing is gaining importance in the financial centre. Data is stored on cloud servers and can be accessed via the internet at any time – irrespective of the end device. Applications are also increasingly being operated on cloud servers. Uncertainties exist regarding the legal situation, however – also because financial market legislation in Liechtenstein is technology-neutral and does not explicitly govern cloud computing. The FMA has therefore published [Fact sheet 2021/2 on the use of cloud services](#) as guidance for financial market participants. The fact sheet draws attention to the applicable legal principles and sets out their applicability in a practical guide.

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Financial market participants and products supervised by the FMA	2021	2020	Market entries 2021	Market exits 2021
<b>Banks, payment services, and asset management</b>				
Banks	12	13	0	1
Asset management companies	98	102	1	5
Electronic money institutions	3	4	0	1
Payment institutions	1	0	1	0
Postal institutions*	1	1	–	–
<b>Insurance and pensions</b>				
Insurance undertakings	33	36	0	3
Insurance intermediaries	57	56	4	3
Pension schemes	17	17	0	0
Pension funds	3	3	0	0
<b>Fund sector</b>				
<i>Law concerning specific undertakings for collective investment in transferable securities (UCITSG)</i>				
Management companies	13	11	2	0
Undertakings for collective investment in transferable securities (UCITS) (funds) <sup>+</sup>	221	217	13	9
<i>Alternative Investment Fund Managers Act (AIFMG)</i>				
Large alternative investment fund managers	16	16	0	0
Risk managers	1	1	0	0
Selling agents	1	2	0	1
Alternative investment funds (AIFs) <sup>+</sup>	313	281	58	26
<i>Investment Undertakings Act (IUG)</i>				
Management companies	3	3	0	0
Domestic investment undertakings <sup>+</sup>	22	24	0	2
<b>Fiduciary sector</b>				
Professional trustees	139	147	3	11
Trust companies	229	245	5	21
Persons with a licence under the 180a Act	208	215	11	18
<b>Auditing</b>				
Auditors	45	46	4	5
Audit firms	24	28	2	6
<b>Patent law</b>				
Patent lawyers	5	5	0	0
Patent law firms	4	4	0	0

**Table 1a**  
 Financial market participants and products supervised by the FMA as of the end of the year

\* The FMA mainly exercises due diligence supervision.  
<sup>+</sup> Products

<b>Financial market participants and products supervised by the FMA</b>	<b>2021</b>	<b>2020</b>	<b>Market entries 2021</b>	<b>Market exits 2021</b>
<b>TT service providers</b> (ad hoc supervision)				
Registered TT service providers	18	10	8	0
Services under the TVTG (roles)	39	24	15	0
<b>Deposit guarantee and investor compensation</b>				
Protection schemes	1	1	0	0
<b>Other supervised entities</b> (only due diligence supervision)				
Casinos**	5	5		
Other persons subject to due diligence pursuant to Article 3(3) of the Due Diligence Act (SPG)	112	81		
<b>Securities prospectuses</b>				
Approved securities prospectuses <sup>+</sup>	30	38		

**Table 1b**  
Financial market participants and products supervised by the FMA as of the end of the year

\*\* Licensed by the Office of Economic Affairs  
+ Products

<b>Financial market participants under the free movement of services*</b>	<b>2021</b>	<b>2020</b>
Free movement of services of EEA banks	206	269
Free movement of services of EEA investment firms	634	2,188
Free movement of services of EEA payment institutions	183	407
Free movement of services of electronic money institutions	145	248
Free movement of services of EEA-regulated markets	16	16
Free movement of services of EEA and Swiss insurance undertakings	337	438
Branches of Swiss insurance undertakings	18	17
Branches of EEA insurance undertakings	0	2
Free movement of services of EEA investment undertakings	682	559
Free movement of services of EEA management companies	90	82
Investment undertakings with third-country market authorisation	25	13
Auditors engaged in free movement of services	36	38
Audit firms engaged in free movement of services	16	18
Patent lawyers engaged in free movement of services	2	2
Patent law firms engaged in free movement of services	1	1

**Table 2**  
Financial market participants under the free movement of services as of the end of the year

\* When notifications are received, the FMA verifies that all conditions for operating in Liechtenstein are met and monitors the business activities of branches of foreign financial intermediaries.

Category	Number of changes	Main changes
Banks	44	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Qualifying holding</li> <li>– External auditor</li> <li>– Articles of association</li> </ul>
Electronic money institutions	5	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Articles of association</li> </ul>
Asset management companies	72	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Qualifying holding</li> <li>– Articles of association</li> <li>– Delegations</li> <li>– External auditor</li> </ul>
Active management companies authorised under the IUG, UCITSG, AIFMG	29	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Qualifying holding</li> <li>– Document templates</li> <li>– Articles of association</li> </ul>
Investment undertakings (funds)	1	<ul style="list-style-type: none"> <li>– Names</li> </ul>
Undertakings for collective investment in transferable securities (funds)	152	<ul style="list-style-type: none"> <li>– Unit classes</li> <li>– Subfunds</li> <li>– Names</li> <li>– External auditor</li> <li>– Investment policy</li> <li>– Mergers</li> <li>– Delegation</li> <li>– ESG criteria</li> </ul>
Alternative investment funds	192	<ul style="list-style-type: none"> <li>– Unit classes</li> <li>– Subfunds</li> <li>– Names</li> <li>– External auditor</li> <li>– Custodian</li> <li>– AIFM</li> <li>– Investment policy</li> <li>– Delegation</li> <li>– Disclosure agreement</li> </ul>
Insurance undertakings	203	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Outsourcing of functions</li> <li>– Key functions</li> <li>– Qualifying holding</li> <li>– External auditor</li> <li>– Expansion of branch</li> <li>– Geographical area of activity</li> <li>– Transfer of portfolio</li> <li>– Mergers</li> </ul>
Insurance intermediaries	31	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Employees working directly in insurance distribution</li> </ul>
Trust companies	59	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Person actually managing the company</li> <li>– Qualifying holding</li> <li>– Liability insurance</li> <li>– Business name</li> </ul>
Patent law firms	1	<ul style="list-style-type: none"> <li>– Business name</li> </ul>
Audit firms	16	<ul style="list-style-type: none"> <li>– Board of directors</li> <li>– Liability insurance</li> <li>– Business name</li> <li>– Ownership</li> </ul>
TT service providers	7	<ul style="list-style-type: none"> <li>– General management</li> <li>– Board of directors</li> <li>– Person with technical responsibility</li> </ul>
<b>Total</b>	<b>884</b>	

**Table 3**  
 Changes to licences and registrations (TT service providers)

## **AD HOC SUPERVISION OF TT SERVICE PROVIDERS**

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The Token and TT Service Provider Act (TVTg), which entered into force in 2020, entrusts the FMA with the registration and ad hoc supervision of service providers that provide their services on TT systems. Companies which already provided a TT service requiring registration as of 1 January 2020 were allowed to continue to do so without registration until 31 December 2020 at the latest. This means that as of 1 January 2021, only the TT service providers entered in the FMA register were entitled to provide the designated services.

The obligation to register under the TVTg sets important minimum requirements for all TT service providers in Liechtenstein from the perspective of user protection. TT service providers are not subject to the same regulatory requirements as classic financial service providers, however. The review conducted for the registration of a TT service provider is more limited in both scope and depth. TT service providers are also not subject to ongoing prudential supervision, but rather to ad hoc supervision. The level of protection of clients ensured by supervision accordingly differs from that of a licensed financial service provider. To obtain a better overview of the market despite the lack of prudential supervision, the FMA collected key data in the reporting year. The findings are to be incorporated in the FMA's treatment of TT service providers.

In the case of one registered TT service provider, there were reasonable doubts as to whether the service provider had complied with due diligence law. For that reason, the FMA initiated administrative proceedings against the service provider. The aim was to verify compliance with the due diligence provisions under

the Due Diligence Act. The FMA ordered an extraordinary inspection. The proceedings had not been concluded by the end of the reporting year.

## **ONGOING SUPERVISION**

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Prudential supervision of the individual supervised financial intermediaries aims to ensure permanent compliance with the licensing conditions, including in particular the financial resources of market participants, and to identify risks at an early stage. Prudential supervision is governed by the individual special laws, e.g. the Banking Act and the Insurance Supervision Act, and makes a significant contribution to client protection and to safeguarding the stability of the financial market. In addition to prudential supervision, due diligence supervision to combat money laundering as well as supervision of conduct are part of ongoing supervision. The basic supervisory instruments are reporting, auditing, on-site inspections, and management meetings.

Supervisory priorities in the reporting year were anti-money laundering with a focus on risk assessment, adequacy of business profiles, and identification and verification of beneficial owners; the impact of the Covid-19 crisis on the national economy and financial market participants with a focus on asset quality; the impact of the low interest-rate environment and liquidity risks; audit activities relating to compliance with the obligations under the European Market Infrastructure Regulation (EMIR); the data quality of the various reporting regimes; and quality controls at auditors. Activities relating to compliance with the obligations under the European Market Infrastructure Regulation included the creation of proprietary analysis systems for data evaluation as a first step. This enabled the FMA to systematically evaluate data

and monitor reporting obligations. In individual cases, the FMA penalised non-compliance with the reporting obligations.

Improving data quality for the various reporting regimes is a key concern of the FMA and the European supervisory authorities. High data quality as the basis for corporate governance is also in the interest of financial intermediaries. The FMA has participated in the European action plans to improve data quality and has made significant progress in cooperation with financial intermediaries. For example, Liechtenstein has been able to make strong improvements in AIFM reporting data and now ranks in the first quarter of all European countries in terms of the completeness and quality of the data submitted.

Auditors are part of the Liechtenstein supervisory architecture in the financial market. For that reason, high demands are placed on them in terms of independence, professional scepticism, and due care, as well as compliance with recognised audit standards and guidelines. The EU Statutory Audit Directive was transposed with the entry into force of the new Auditors Act (WPG) on 1 January. In the reporting year, the FMA conducted five cross-divisional quality inspections of audit firms. These consisted in file reviews of the performance of engagements in relation to selected financial statement audit and supervisory audit mandates. The file reviews mainly gave rise to findings relating to partially incomplete documentation of the engagement work. Overall, the quality controls did not give rise to any serious findings.

Supplementing its own supervisory priorities, the FMA must also take into account the supervisory priorities of the European supervisory authorities EBA, ESMA, and EIOPA. These include requirements relating to digitalisation, ESG risks, cyber risks, and fund costs. As part of a pan-European supervisory initiative and

in the interest of investor protection, the FMA audited whether fund investors are being charged excessive or unjustified costs. Overall, the FMA drew a positive conclusion in that no indications of excessive or unjustified costs were identified. At the same time, however, the action brought to light constellations in individual cases in which third parties receive fees from the fund assets without any discernible added value for investors. The FMA addresses these cases with appropriate measures.

Investment firms that conduct transactions with financial instruments must report all transactions in detail to the competent authority. The aims include combating insider trading and market manipulation and strengthening investor protection. The transaction data received by the FMA is examined using various scenarios relating to insider trading and market manipulation. The stored parameters are adjusted on an ongoing basis according to market events and market behaviour. In addition to indications of market abuse, transaction monitoring can also identify risks that jeopardise the functioning of the markets. The FMA not only receives reports from investment firms domiciled in Liechtenstein, but is also connected to supervisory authorities throughout Europe via the system that has been established for that purpose.

Investment firms or other supervisory authorities submitted about 10.6 million transaction reports to the FMA in 2021, which amounts to more than 29,000 reports daily. The volume of reported transactions amounted to approximately CHF 308 billion. The transmitted transactions were validated at the technical level, subjected to content-related data quality tests on an ongoing basis, and evaluated. If the scenarios give rise to suspicion that indicate misconduct on the part of market participants, the FMA carries out further clarifications or takes appropriate measures. In the reporting year, a total of 1,330 hits were gener-

ated that were analysed and evaluated. About 6% of these hits were subjected to an in-depth analysis. This analysis includes obtaining information from the financial intermediary, clarifications with other authorities, and price analyses. One of the measures is to file a criminal complaint with the competent domestic authorities if the initial suspicion is substantiated or cannot be dispelled in the course of the in-depth analysis.

### On-site inspections

An on-site inspection is an institutionalised audit activity within the framework of ongoing supervision and enforcement on the premises of the financial inter-

mediary. An on-site inspection is carried out by employees of the FMA. On-site inspections may be announced or unannounced. The FMA conducts a number of planned on-site inspections each year, as well as on an ad hoc basis where necessary. As a rule, on-site inspections are dedicated to one or more priority topics. In the reporting year, 25 on-site inspections were carried out.

Category	Number of on-site inspections	Priorities
Banks	5	Company taxation (internal governance relating to conflicts of interest and prevention of exploitation of insider information and market abuse); credit risk (lending and credit risk management)
Electronic money institutions	1	Company taxation (own funds)
Insurance undertakings	4	Head office; reinsurance; key functions; technical provisions; strategy
Pension schemes	2	Organisation; administration; settlement of accounts; outsourcing of functions
Insurance intermediaries	1	Main office; internal organisation
(Fund) management companies	2	Adequacy of the due diligence process for fund promoters and compliance with process steps
Asset management companies	5	Compliance with rules of conduct; MAR compliance; reporting obligations
Audit firms	5	Quality controls; file reviews of performance of engagement in relation to selected financial statement audit and supervisory audit mandates
<b>Total</b>	<b>25</b>	

**Table 4**

*On-site inspections*

*For inspection activities relating to due diligence supervision for the purpose of combating money laundering, see the [chapter on due diligence supervision](#).*

## Auditing

As part of prudential supervision, the FMA evaluates the audit reports submitted by auditors who, on behalf of the FMA, perform a risk-based audit of compliance with the regulatory requirements by the financial intermediaries. Where deficiencies arise, the FMA takes the necessary measures or sanctions the financial intermediary in accordance with the legal requirements. The audits are based on the FMA's Audit Guideline. The Audit Guideline governs the procedure to be observed in the audits and reports of the external auditors authorised under special legislation, and it serves to ensure the high quality and uniform administration of supervisory audits. The uniform and

detailed requirements governing audits make a significant contribution to the convergence of supervisory practice and implementation of risk-based supervision.

## Reporting

Under special legislation, financial intermediaries are required to provide the FMA with the data necessary to evaluate the company and its risks. On the basis of the reports, the FMA verifies compliance with regulatory requirements and follows the business development of the supervised financial intermediaries in a timely manner. "Reports" refers to all legally required periodic or ad hoc information obligations

Financial intermediary	Audit reports	Deficiencies	Deficiencies mainly in the following areas
Banks	14	120	Risk management; reporting; investment services; EMIR and ICT/cybersecurity
Electronic money institutions	4	8	Organisational structure
Asset management companies	98	109	Organisational requirements; compliance with companies own funds requirements; conduct of business
(Fund) management companies	20	11	Material valuation errors; violation of rules of conduct; companies reporting; non-compliance with reporting obligations; record-keeping and retention requirements; organisational requirements
Insurance undertakings	36	78	Composition of general management/board of directors; design of guidelines, reporting, and documentation in general; outsourcing; IDD requirements; internal control system (ICS)
Pension schemes	14	15	ICS; risk/control matrix
Pension funds	3	0	–
<b>Total</b>	<b>189</b>	<b>341</b>	
<b>Products</b>			
Funds	556	103	Reporting obligations; failure to maintain minimum assets; depositary obligations; risk management; prospectus requirements; active violations

**Table 5**

*Review of audit reports*

*This overview does not include audit reports for the purpose of Preventing money laundering (see the [chapter on due diligence supervision](#)).*

of the financial intermediary vis-à-vis the FMA. This includes annual reports, semi-annual reports, quarterly reports, and other regular reports. Most reports under the reporting system are received via the FMA's e-Service Portal. The portal was introduced in 2015 and provides a convenient way for notifying entities from all sectors to submit data online. In the reporting year, 1,260 persons (previous year: 1,081) were registered as notifying entities, submitting a total of 9,397 reports (6,845) via the portal, most of which under the reporting system. The portal was expanded in the reporting year to include additional reports.

Category	Reports
Banks	1,110
Electronic money institutions	60
Protection schemes	9
Asset management companies	510
(Fund) management companies	137
Funds	3,572
Insurance undertakings	661
Insurance intermediaries	51
Pension schemes	127
Pension funds	34
TT service providers	23
<b>Total</b>	<b>6,294</b>

**Table 6**  
**Reporting**

*This overview does not include reporting under the Due Diligence Act (SPG) for the purpose of combating money laundering, see the [chapter on due diligence supervision](#).*

By way of illustration, Solvency II reporting by insurance undertakings is briefly described here: The primary objective of Solvency II is to protect policyholders and beneficiaries and to harmonise insurance supervision law at the EEA level. Under Solvency II, both narrative and quantitative reporting have been introduced for insurance undertakings. The Solvency II reports contain important information on the solvency and financial position of the insurance undertakings. Both narrative and quantitative reports are submitted in full once a year by the insurance undertakings to the FMA via the FMA's web-based reporting platform, the e-Service Portal. In addition, the quantitative reports are submitted to the FMA in a reduced form each quarter. The quantitative reports are submitted in XBRL format (eXtensible Business Reporting Language format). The FMA uses the data from the Solvency II reports in ongoing supervision for risk assessment of each individual insurance undertaking. Several digital applications are used to evaluate the data in order to subsequently present the results, for instance using dashboards. Once the quantitative reports have been reviewed, they are forwarded by the FMA to the European Insurance and Occupational Pensions Authority (EIOPA).

### Management meetings

FMA representatives hold regular management meetings with members of the general management and board of directors of supervised entities. The business strategy and business development of the companies as well as current topics are discussed. A total of 38 management meetings were held in the reporting year, eight of which with banks and 16 with insurance undertakings. In addition to the impact of the Covid-19 pandemic on business strategy and development, governance and organisational topics were also discussed. The meetings with insurance undertakings focused on shareholder and capital investment requirements.

Category	Meetings
Banks	8
Electronic money institutions	2
Payment institutions	1
Protection schemes	1
(Fund) management companies	5
Asset management companies	5
Insurance undertakings	16
<b>Total</b>	<b>38</b>

**Table 7**  
*Management meetings*

### DUE DILIGENCE SUPERVISION TO COMBAT MONEY LAUNDERING

In the reporting year, the FMA continued the change in strategy for due diligence supervision it initiated in 2019. The risk-based supervisory approach was strengthened by focusing the FMA's inspections in particular on persons subject to due diligence and financial sectors with an increased risk profile. The risk profiles are established on the basis of information

from the reporting system pursuant to the Due Diligence Act (SPG). Financial market participants must report annually to the FMA on inherent money laundering risks and the quality of their risk mitigation. Additionally, the FMA evaluates information it receives in the course of ongoing inspections.

In accordance with the risk-based supervisory approach, the content of the inspections also focuses on the vulnerabilities identified in the National Risk Assessment. As a consequence of the change in strategy, the FMA has also significantly increased the number of its own on-site inspections, in order to obtain a direct picture of the quality of due diligence measures in addition to the findings based on mandated inspections (audits carried out by auditors).

Both the FMA's own due diligence inspections and the mandated inspections are based on the supervisory priorities defined for 2021. In the case of mandated due diligence inspections, the thematic SPG audits continued to cover the three topics of risk assessment, adequacy of business profiles (in particular source of funds and source of wealth as well as documentation on effective contributors of assets), and identification and verification of beneficial owners. At banks, the mandated SPG audits focused on compliance with financial sanctions pursuant to the International Sanctions Act (ISG) and reports of suspicion.

The FMA's own due diligence inspections additionally focused on the vulnerabilities identified in National Risk Assessment II and defined as priorities for action in the corresponding Government action plan. Special attention was paid to product and service risks associated with shell companies, transaction banking, service companies, sole signing authority, cash transactions, and terrorist financing.

<b>Due diligence inspections</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Banks</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>12</b>
Own on-site inspections (Full audit/focused audit)	0/4	0/3(2*)	0/2(1*)	0/2(2*)	0/3(3*)	0/5
Mandated on-site inspections (Full audit/thematic audit)	15/0	15/0	14/0	14/0	0/14	0/12
<b>Investment funds</b>	<b>-</b>	<b>-</b>	<b>684</b>	<b>613</b>	<b>643</b>	<b>676</b>
Own on-site inspections (Full audit/focused audit)	0/0	0/0	0/0	4/0(1*)	6/0	0/3
Mandated on-site inspections (Full audit/thematic audit)	0/0	0/0	15/0	120/0	0/21	0/75
<b>Asset management companies</b>	<b>116</b>	<b>109</b>	<b>109</b>	<b>106</b>	<b>102</b>	<b>98</b>
Own on-site inspections (Full audit/focused audit)	0/5	0/0	0/0	7/0(1*)	2/0	1/0
Mandated on-site inspections (Full audit/thematic audit)	116/0	109/0	22/0	18/0	0/29	0/32
<b>Fund management companies with individual portfolio management</b>	<b>2</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>
Own on-site inspections (Full audit/focused audit)	0/1	0/0	0/0	1/0	1/0	1/0
Mandated on-site inspections (Full audit/thematic audit)	1/0	5/0	2/0	0/0	0/2	0/2
<b>Life insurance companies</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>19</b>	<b>18</b>
Own on-site inspections (Full audit/focused audit)	0/3	0/4(1*)	0/5(1*)	0/2	0/2	0/3
Mandated on-site inspections (Full audit/thematic audit)	20/0	21/0	20/0	18/0	0/1	0/5
<b>Life insurance intermediaries</b>	<b>51</b>	<b>43</b>	<b>30</b>	<b>31</b>	<b>30</b>	<b>21</b>
Own on-site inspections (Full audit/focused audit)	0/4	0/3	0/0	0/0	0/1	0/2
Mandated on-site inspections (Full audit/thematic audit)	12/0	6/0	7/0	5/0	0/7	0/4
<b>Electronic money institutions</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>3</b>
Own on-site inspections (Full audit/focused audit)	0/1	0/0	0/0	1/0	1/0	1/0
Mandated on-site inspections (Full audit/thematic audit)	1/0	5/0	2/0	0/0	0/2	0/2
<b>Agents of EEA payment institutions</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Own on-site inspections (Full audit/focused audit)	0/0	0/0	0/0	0/0	0/0	1/0
<b>Trust and company service providers</b>	<b>189</b>	<b>188</b>	<b>184</b>	<b>188</b>	<b>185</b>	<b>188</b>
Own on-site inspections (Full audit/focused audit)	0/14(5*)	0/9(2*)	0/7(7*)	0/7(4*)	11/0	17/1(1*)
Mandated on-site inspections (Full audit/thematic audit)	53/0	68/0	55/0	58/0	0/40	0/33
<b>Casinos</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>5</b>
Own on-site inspections (Full audit/focused audit)	0/0	0/0	2/0	0/2	2/0	1/0
<b>TT service providers</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>21**</b>
Own on-site inspections (Full audit/focused audit)	0/0	0/0	0/0	0/0	3/0(+2*)	2(1*)/0(1*)
Mandated on-site inspections (Full audit/thematic audit)	0/0	0/0	0/0	0/0	12/0	1/1

**Table 8**  
Due diligence inspections

\* additional ad hoc inspections  
\*\* of which 7 token issuers not subject to registration pursuant to Article 3(1)(s) SPG

During the reporting period, the FMA conducted its own on-site inspections at five banks. These were focused inspections with risk-based priorities. In addition to organisational (firm) reviews in the priority areas, 66 random samples (client dossiers and cash transactions) and 50 transactions in or from high-risk countries were drawn and examined. Deficiencies were identified in connection with the business profiles of the clients and inconclusive evidence of the origin of the assets. In sum, however, this only affected a few legacy clients. Two additional recommendations were made in connection with customer risk assessment and business-wide risk assessment during the on-site inspections.

The FMA carried out a further own inspection at a Liechtenstein agent of a payment institution licensed in an EEA member state and at an electronic money institution. These were full SPG inspections. The FMA also carried out focused SPG inspections at three investment funds. Special attention was paid to the audit areas of identification and verification of the beneficial owner, risk assessment, business profiles, and risk-appropriate transaction monitoring. The FMA also carried out its own on-site inspection in the form of a full SPG audit at one asset management company. During all these inspections, qualitative recommendations were made with regard to the acceptance of cryptoassets, and textual clarifications were required for internal instructions. Potential for improvement was identified in the implemented preventive measures for PEP detection.

The FMA carried out its own on-site inspections with risk-based priorities (focused inspections) at three life insurance undertakings and two life insurance intermediaries. A total of 35 random samples were drawn and examined. Deficiencies were identified in particular with regard to the company's business-wide and customer risk assessment, the informative value of

business profiles with regard to the source of funds, and, in isolated cases, the collection of third-party evidence. Improvements in the preventive measures implemented were identified, in particular the quality of customer risk assessment and the resulting sensitisation in regard to acceptance policies.

The due diligence category "Trust and company service providers" includes professional trustees and trust companies as well as persons with 180a licences. In this sector, the FMA conducted 11 consolidated, regular on-site inspections. These were full inspections covering a total of 70 persons subject to due diligence. In this connection, a total of 71 random samples were drawn and audited. Most of the findings related to PEP matching and risk assessments that had not been documented when the business relationships were established. One criminal complaint was filed with the Office of the Public Prosecutor due to late submission or failure to submit reports of suspicion to the FIU. Improvements in the implemented preventive measures were identified, in particular reporting behaviour in cases of suspected money laundering and completeness of business profiles with regard to source of funds/source of wealth. The FMA also conducted extraordinary, focused inspections at four intermediaries. One inspection was carried out in connection with investigations by the FMA against a market participant in the banking sector, and the three other inspections each concerned a public-benefit mandate with indications of an especially high risk of terrorist financing. These three mandates were ultimately classified as unproblematic, however.

Finally, the FMA carried out a full SPG audit at a casino. In particular, identification of the contracting party, identification of the beneficial owner, PEP matching, and monitoring of occasional transactions in gaming operations were audited. The inspections did not give rise to any significant findings.

In the reporting period, the FMA conducted two planned full audits, one ad hoc full audit, and a focused own on-site due diligence inspection relating to TT service providers. Deficiencies were found in particular in the onboarding process and in the minimum content of the business profiles.

In addition to the FMA's own audits, mandated focused audits were carried out at 12 banks, two electronic money institutions, three life insurance undertakings, five life insurance intermediaries, 21 subfunds, two fund management companies (with portfolio management), and 29 asset managers. In the fiduciary sector, 33 consolidated on-site inspections were mandated, covering a total of 143 trust and company service providers (trust companies, professional trustees, and persons licensed under the 180a Act). In addition, a full SPG audit was mandated for a new TT service provider.

With the exception of the banking sector, the audits focused on risk assessments, business profiles, and identification and verification of beneficial owners. During these on-site inspections, most persons subject to due diligence were found to have good compliance standards. Isolated weaknesses continued to be found relating to verification of the origin of assets through independent documents and sources. In the banking sector, the thematic audits focused on identification and verification of beneficial owners, international financial sanctions, and reports of suspicion.

The mandated inspections in the banking sector showed that, in principle, robust systems for the identification and verification of beneficial owners are in place and implemented. It was seen that in isolated cases, banks had not taken risk-based and appropriate measures to satisfy themselves that a person was indeed the beneficial owner. In the course of the audits

relating to international financial sanctions, a high level of awareness was found at almost all banks. Most banks have systems in place with appropriate control and monitoring measures. Weaknesses were found in isolated cases regarding calibration settings relating to persons covered by sanctions. In particular, the systems did not always trigger a hit when names were spelled differently. Also with regard to reports of suspicion, most of the audited banks have robust internal processes and control mechanisms in place. Weaknesses were found in some cases in the design and level of detail of the processes set out in the internal instructions.

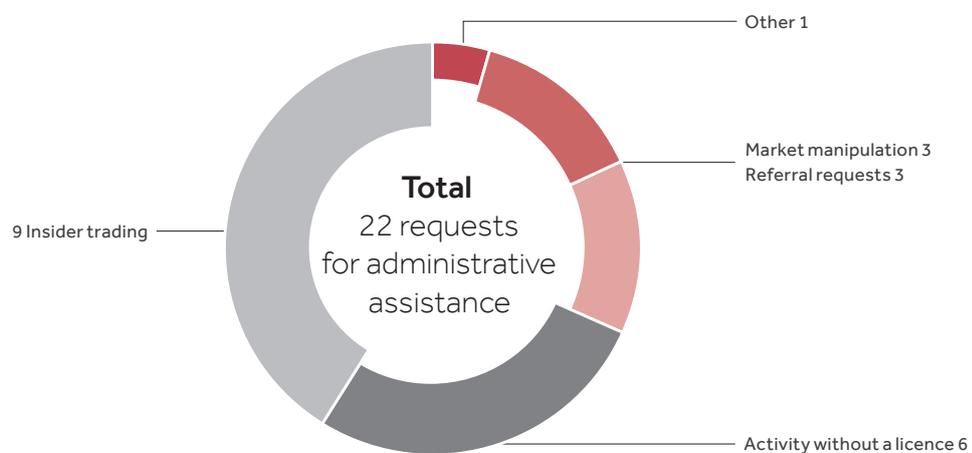
## INTERNATIONAL ADMINISTRATIVE ASSISTANCE

The FMA provides administrative assistance to foreign supervisory authorities. In 2021, a total of 55 requests for administrative assistance were submitted to the FMA asking for information. In return, the FMA submitted 65 requests to foreign supervisory authorities. Administrative assistance is an important instrument in the cooperation between supervisory authorities. It supports the goals of financial market supervision to safeguard confidence in the financial markets, protect clients, and combat abuses.

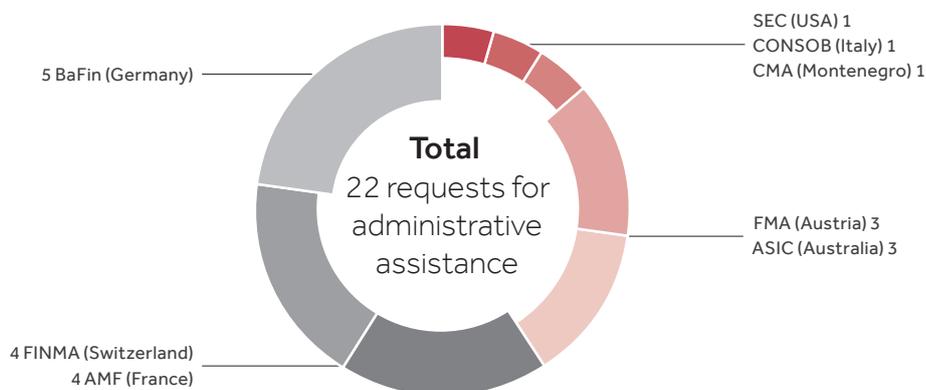
**Non-client-related administrative assistance:** Non-client-related information is information under supervisory law relating to the general activities of a supervised entity in its capacity as a market participant. In addition to information on solvency and liquidity, this includes in particular information on the governing bodies or ownership of a supervised entity as well as information on any supervisory or criminal proceedings against the supervised entity or its governing bodies or ownership. In 2021, 33 such non-client-

related enquiries were addressed to the FMA by 19 supervisory authorities. Of these requests, 19 were good standing enquiries or requests for letters of confirmation. In the same period, the FMA submitted a total of 58 non-client-related requests for administrative assistance to 23 different foreign supervisory authorities.

**Client-related administrative assistance:** If the information to be transmitted concerns individual clients of financial institutions, this constitutes client-related administrative assistance, which is subject to strict formal requirements. The focus is on administrative assistance in the area of securities supervision on the basis of the multilateral memorandum of understanding with the International Organization of Securities Commissions (IOSCO MMoU). The main topics here are violations of insider legislation, market manipulation, monitoring of trading in financial instruments, and ensuring publication and reporting obligations. Outside of securities supervision, client-related administrative assistance takes place according to special laws such as the Banking Act. In 2021, the FMA was requested for client-related administrative assistance



**Figure 4**  
Reasons for client-related requests for administrative assistance  
(IOSCO MMoU and special laws)



**Figure 5**  
*Client-related requests for administrative assistance  
by authority (IOSCO MMoU and special laws)*

in 22 cases. 18 were made on the basis of the IOSCO MMoU, four on the basis of special laws. In the same period, the FMA submitted six client-related requests for administrative assistance to four foreign supervisory authorities.

The Market Abuse Regulation (MAR) and its Implementing Regulations have been in force in Liechtenstein since January. As a rule, administrative assistance in the area of securities supervision under the IOSCO MMoU falls within the scope of this regulation. MAR contains its own rules on the cooperation of supervisory authorities in the member states and thus also on administrative assistance; these rules now apply directly and compulsorily in Liechtenstein. If national rules contradict those of MAR, they must not be applied. If, on the other hand, subject matters are covered by national rules that are not regulated by MAR, the national rules continue to apply.

Liechtenstein provides a special procedure for administrative assistance in the area of securities supervision that goes beyond the scope of MAR or its

Implementing Regulations. In particular, the procedure specifies the form in which the requested information must be obtained from the requested authority, that a ban on information must be imposed on persons concerned and third parties, and that the Administrative Court must approve administrative assistance before the requested information is transmitted.

MAR and its Implementing Regulations contain hardly any provisions covering these matters. Accordingly, the procedure applicable in Liechtenstein for administrative assistance in the area of securities supervision can continue to be applied to requests for administrative assistance from an EEA member state, taking into account the MAR provisions.

The processes for requests for administrative assistance from EEA member states and third countries therefore remain similar despite the introduction of MAR. One difference, however, is that within the scope of MAR, predefined forms must be used for correspondence and the exchange of information with supervisory authorities from EEA member states.

## ENFORCEMENT

The FMA clarifies any indications it finds of the laws assigned to the FMA for execution or general criminal law. If the FMA arrives at a justified suspicion as a result of these preliminary investigations, or if the circumstances indicate that the reputation of the Liechtenstein financial centre is jeopardised, it initiates administrative or administrative criminal proceedings, establishes the facts of the case, and orders any necessary measures and fines.

As of the end of 2021, the FMA was conducting 39 administrative proceedings and 22 administrative criminal proceedings. Administrative proceedings are proceedings for the enforcement of financial market rules governed by public law. Administrative criminal proceedings are proceedings carried out by the FMA to sanction violations of (supplementary) criminal law provisions set out in financial market legislation. As of the end of 2021, preliminary investigations were underway in 21 cases. During the reporting year, 121 proceedings and preliminary investigations were completed. The subjects of the proceedings included capital adequacy requirements, violations in risk management, market manipulation, organisational requirements, head office requirements, accounting requirements, compliance with licensing conditions, governance, guarantee requirements, and the performance of activities without the required licence. As in the previous year, a relatively large number of proceedings and preliminary investigations were conducted due to violations or potential violations of the Due Diligence Act (SPG). 26 of the 37 legally binding fines imposed in the reporting year were for violations of the SPG.

On 8 February 2021, the FMA published on its website that it had appointed a temporary administrator for Mason Privatbank Liechtenstein AG pursuant to the Recovery and Resolution Act (SAG). Deloitte (Liechtenstein) AG was appointed as the temporary

administrator. The measure was taken in the interest of client protection. The measure was unrelated to the bank's equity and liquidity situation at the time, however. To prevent and minimise any risks and to avoid any possible circumvention of requirements concerning the internal organisation of the bank, the FMA assigned several tasks to the temporary administrator and provided it with the necessary powers to perform its control function. On 15 March 2021, the bank issued a press release announcing its decision to enter voluntary liquidation. The same day, the FMA published an [announcement](#) that Mason Privatbank Liechtenstein AG i. L.'s licence to operate a bank had lapsed pursuant to renunciation in writing effective that day. The FMA further announced that, to ensure client protection, it was taking the measures necessary for the execution of the liquidation and the settlement of ongoing business, issuing the necessary instructions to the liquidators, and supervising the liquidators and the liquidation. In addition, the FMA informed the public about the end of the mandate of the temporary administrator with the return of the banking license.

At the beginning of June, the FMA published its [FMA Practice](#). The publication provides information in anonymised form on the FMA's decisions and decrees as well as on decisions of the FMA Complaints Commission (FMA-CC), the Court of Appeal (OG), and the Administrative Court (VGH) that concern the 2020 supervisory period. By describing selected cases, the FMA sets out each year how it applies and interprets supervisory law, thus creating transparency and predictability for financial intermediaries and setting out its expectations. Several cases are described in connection with qualified violations of the Due Diligence Act. An important result from one of these cases is that complex structures and transaction patterns that do not pursue an obvious economic or recognisable lawful purpose must be monitored more intensively by the financial intermediary. In another case, the importance and necessity of internal control

and monitoring measures when entering into business relationships is spelled out. In the case of one bank, the FMA found that certain governing bodies and shareholders no longer offered any guarantee of proper conduct of business. Criminal proceedings were pending against the governing bodies. Of particular relevance to the FMA for further practice is that the Administrative Court confirmed that ongoing criminal proceedings must also be taken into account when assessing the guarantee. In another case, the FMA objected to the acquisition of a qualifying holding in a bank by a prospective acquirer. The FMA considered that not all assessment criteria were met. In another case, the FMA's powers in the liquidation of a bank as a result of the renunciation of a licence were established. These powers serve to ensure client protection.

FMA Practice also describes a case of a life insurance undertaking where the FMA found that its shareholders did not comply with regulatory requirements. Restoring a lawful state of affairs ultimately proved not to be feasible. For the protection of clients, the undertaking's insurance portfolio was compulsorily transferred to another life insurance undertaking and its license was withdrawn. In connection with a violation of organisational obligations relating to effective management of an asset management company, the FMA imposed a fine on a management company for violation of the duty to observe the rules of conduct. The FMA-CC confirmed that a violation of the duty to observe the rules of conduct is a genuine offense of omission.

In 2021, the FMA imposed 37 legally binding fines amounting to CHF 746,000. A fine in the amount of CHF 120,000 was imposed on a legal person for repeated violations of due diligence obligations (identification and verification of the contracting party) and for serious and repeated violations of due diligence obligations (identification and verification of the beneficial owner, preparation of a business profile).

Another fine in the amount of CHF 100,000 was imposed on a legal person for repeated violations of due diligence obligations (business profile). In total, the FMA imposed 26 legally binding fines in the amount of CHF 504,500 for violations of the Due Diligence Act, including violations of due diligence obligations with respect to preparation of a profile, risk-appropriate monitoring of business relationships and documentation obligations, identification, verification of the contracting party, ensuring internal organisation, failure to have an inspection carried out, and failure to comply with obligations imposed by decree, such as quarterly reporting obligations. The FMA also imposed fines for violations of reporting obligations (Banking Act, Electronic Money Act, and Trustee Act), failure to comply with an order of the FMA in a timely manner (Banking Act), violations of the governance provisions and failure to comply with a request to restore a lawful state of affairs (Insurance Supervision Act), breach of duty as a result of failure to report in advance the appointment of a member of the general management (Asset Management Act), failure to comply with a decree of the FMA to duly appoint the board of directors within a time limit set by the FMA (Asset Management Act), failure to comply with a decree of the FMA to cooperate in investigation proceedings (Securities Prospectus Ordinance), violation of the rules of conduct (AIFM Act), and violation of periodic reporting obligations (UCITS Act). The penalties are published on the FMA website in anonymised or named form. The fines levied by the FMA are transferred to the National Treasury.

In 2021, the FMA filed nine criminal complaints with the Office of the Public Prosecutor. If the FMA becomes aware of a suspicion of a criminal act to be prosecuted ex officio that affects its legal sphere of action, it is required to file a criminal complaint. The criminal complaints filed included suspicion of market abuse, suspicion of accepting deposits without the required licence, suspicion of insider trading and unlawful disclosure of insider information, concealment of material facts,

suspicion of fraud in connection with a clone firm, suspected violation of designation protection, and activity without registration (TVTG). In a further 95 cases, the FMA filed charges against employers for neglecting their legal obligations, such as the payment of contributions or the obligation to join an occupational pension scheme.

During the reporting period, the FMA submitted 14 reports to the Financial Intelligence Unit (FIU). This occurs in cases of suspicion of money laundering, a predicate offence of money laundering, organised crime, or terrorist financing.

For the reporting year, the FMA received a total of 23 whistleblowing reports. 18 reports reached the FMA via the whistleblowing section of the FMA's website or by post. The remaining five whistleblowing reports were received through other channels, such as the FMA's general information email address or by phone. Two reports could not be used, given that they were obviously spam. All other reports contained information on potential violations of the law, such as missing licences, violations relating to governance (compliance), lack of integrity on the part of managers, allegations of fraud, or tax offences. Those reports that fell within the remit of the FMA were investigated within the framework of supervisory activities, and a total of seven administrative proceedings or administrative criminal proceedings were initiated. Where indications did not lead to a sufficiently substantial initial suspicion, the enquiries and investigations were discontinued. Three reports, the contents of which did not fall within the remit of the FMA, were forwarded to the competent authorities, such as the Fiscal Authority and the Financial Intelligence Unit.

In the reporting year, the FMA published 13 warnings on its website. In five cases, companies falsely gave the impression on their websites that they had an FMA licence. In each case, the FMA advised against making investments, responding to offers from the company in question, or transferring funds. The FMA also warned against six clone firms and urgently advised against investing via their websites. Clone firms assume the identity of a real company and try to trick users into making investments via their websites. In one case, the FMA issued a warning against bogus insurance policies under the name of an insurance undertaking based in Liechtenstein. In another case, the FMA warned of attempted fraud. Unknown persons suggested to borrowers that they had to take out credit default insurance, using the name of a Liechtenstein insurance undertaking. The FMA recommends checking for irregularities before concluding an insurance contract. If something is unclear, the FMA recommends contacting the insurance undertaking or the competent supervisory authority.

## ACTIVITIES OF THE RESOLUTION AUTHORITY

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The resolution authority affiliated with the FMA is responsible for the European framework for the resolution of systemically important banks. In this way, it makes an important contribution to safeguarding the stability of the Liechtenstein banking centre. A key element of the resolution regime is the preparation of crisis management plans at banks and investment firms. Significant progress was made in the reporting year in the development of such resolution plans. An initial plan for a systemically important bank was finalised, and all plans were significantly further developed. Finalisation of all remaining plans is scheduled for 2022.

After the Bank Recovery and Resolution Directive II (BRRD II) enters into force in Liechtenstein, expected at the beginning of 2023, a binding minimum requirement for own funds and eligible liabilities (MREL) is also to be communicated to the banks. This MREL is intended to ensure that banks maintain sufficient own funds and convertible debt capital for a resolution event. The amount of the MREL ratio is determined

separately by the FMA for each institution concerned, taking into account factors such as the business model and risk profile of the bank. The FMA has already carried out extensive preliminary work on the calculation of institution-specific MREL requirements, in particular the development of a calculation model for the subordination requirement, based on the work of the European Single Resolution Board (SRB).

Finally, development of the Liechtenstein resolution financing mechanism was continued in 2021. The financial resources available under this mechanism are intended to support effective application of the resolution regime as needed. The resolution financing mechanism is to be endowed with adequate resources by the Liechtenstein banks and investment firms on a pro rata basis according to a statutorily defined contribution key. The defined target funding of at least 1% of the covered deposits of all institutions licensed in Liechtenstein is to be achieved by the end of 2027. The pro rata contribution per institution is calculated by the FMA. By the end of 2021, contributions of about CHF 21.2 million were levied on Liechtenstein banks and investment firms.

## OUTLOOK

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Based on the risk analysis, the FMA defined and published its priorities of supervision in December.

Market developments and the interest rate environment remain the subject of supervisory dialogue between the FMA and banks, insurance undertakings, and pension schemes. In particular, the strengthening inflationary trends and their potential impact on the global economy must be closely monitored. One focus is on asset quality in the balance sheets of banks and sustainable lending standards. The measures proposed in the Liechtenstein Real Estate and Mortgage Market report to address the medium-term risks to financial stability are to be elaborated in detail and implemented step by step in close cooperation with the financial intermediaries and the Government.

The FMA will be dealing intensively with the unexpected materialisation of geopolitical risks due to the outbreak of war in Ukraine. The FMA is in close contact with financial intermediaries in order to properly classify the risks and address them effectively by means of appropriate micro- and macroprudential instruments.

Anti-money laundering continues to be a priority of supervision. The inspections focus mainly on risk assessment, adequacy of business profiles, and identification and verification of beneficial owners.

Financial intermediaries are called on to implement the European requirements governing sustainable investments and disclosure obligations. The FMA will continue to closely accompany market participants through analyses of climate-related risks at Liechtenstein financial intermediaries, and also through guidance and implementation assistance. The FMA is directing its supervisory focus on the prevention of greenwashing. Beyond this, there will be an increased focus on integrating ESG factors and ESG risks into business and risk management processes.

With respect to Liechtenstein's structural dependencies on the Swiss financial market infrastructure, the FMA will closely monitor the risks relating to access. In coordination with the competent authorities, the FMA will contribute to securing the use of the Swiss infrastructure and reducing this dependency through alternative infrastructures.

Other priorities include improving the quality of data for the various reporting regimes as part of the data strategy, effectively applying the FMA's new statutory powers in its supervision of the fiduciary sector, and intensifying the quality inspections of auditors.

Since the reform of the European supervisory authorities in 2019, they have been empowered to define strategic supervisory priorities. These priorities must also be taken into account by the FMA as the national supervisory authority. The priorities include the digi-

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**Anti-money laundering continues to be a priority of supervision.**

tal transformation strategies of banks, the impact of FinTechs on financial systems, the costs and fees of services and products, the quality of reporting data in securities supervision, the sustainability of the business models of insurance undertakings, and adequate product design, including the product oversight and governance (POG) requirements.

In 2022, the three Liechtenstein systemically important banks will participate for the first time in the pan-European Quantitative Impact Study (QIS). The European Banking Authority (EBA) conducts these studies to assess the possible consequences of adjustments to the finalised Basel III framework with Euro-

pean banks in cooperation with the Basel Committee on Banking Supervision (BCBS). For the first time, the study has been extended to relevant banks throughout the European Economic Area (EEA), thus also requiring participation by systemically important banks from Liechtenstein. The FMA is responsible for coordination and, as the first instance, for reviewing the submitted data.

After finalising a resolution plan for a systemically important bank in the reporting year, the resolution authority will finalise the resolution plans for the other banks.

PROGRESS REPORT

# REGULATION

Financial market regulation continues to be very dynamic. At the EU level, further developments to the legal framework for banks have been presented. Also relevant for Liechtenstein are plans to regulate digital financial technologies and to strengthen anti-money laundering. In Liechtenstein, a comprehensive regulatory project – the Banking Package – is being implemented, which is intended to further increase the resilience of the banking sector in crisis situations and reduce the administrative burden for small, less complex banks. Regulatory projects aimed at promoting sustainable finance have also gained momentum. The financial sector can make a crucial contribution to achieving international sustainability targets.

## FINANCIAL MARKET REGULATION CONTINUES TO BE VERY DYNAMIC

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Liechtenstein implements international standards as a member of the European Economic Area (EEA). Liechtenstein's financial market regulation is significantly influenced by the EEA-relevant financial market regulation of the European Union (EU). At the EU level, further developments to the legal framework for banks were presented in 2021. The proposals for further implementation of the Basel III standards are to become binding legal acts in the course of 2022. Proposals for extending the resolution regime to insurance undertakings and the further development of the EU Capital Markets Union have also been published. The latter, together with the overarching issue of sustainability, will have a significant impact on EU financial market legislation in the coming years.

The new Auditors Act (WPG) entered into force in Liechtenstein on 1 January 2021. The WPG adjusts qualitative requirements governing financial statement audits to the international standards and harmonises the regulations governing the performance of financial statement audits. At the same time, the Market Abuse Regulation (MAR) entered into force in Liechtenstein. Operators of trading venues are required to establish and maintain effective arrangements, systems, and procedures aimed at preventing and detecting insider dealing, market manipulation, and attempted insider dealing and market manipulation. Similarly, persons who professionally arrange or execute transactions must establish and maintain effective arrangements, systems, and procedures to detect and report suspicious orders and transactions. On 2 August 2021, legal acts also entered into force as part of advance transpositions that provide clarity for the fund sector in relation to the EU and that facilitate cross-border fund distribution.

The revised Due Diligence Act (SPG) entered into force on 1 April 2021 and the revised Due Diligence Ordinance (SPV) on 1 June 2021. With these enactments, Liechtenstein has transposed the 5th EU Anti-Money Laundering Directive into national law in a timely manner and in conformity with the EEA. The aim of the directive is to prevent the financing of criminal activities through the financial system and to tighten transparency requirements to prevent money laundering. This further strengthens anti-money laundering.

The Mortgage and Real Estate Credit Act (HIKG) entered into force on 1 April 2021. The HIKG transposes the EU Directive on credit agreements for consumers relating to residential immovable property (Mortgage Credit Directive, MCD) into national law. The MCD creates a uniform legal framework for the granting of mortgage credit to consumers. A new licensing regime for mortgage credit intermediaries is also introduced.

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## REGULATORY ACTIVITIES OF THE FMA

In accordance with the owner strategy, the FMA supports the Government in regulatory projects. For this purpose, a service agreement was concluded between the Government and the FMA. The FMA's regulatory reporting listed 11 regulatory projects in the process of implementation at the end of 2021. Additionally, the FMA works to implement numerous regulatory and implementing technical standards of the European Union. Alongside the drafting work in the legislative process, incorporation of the new legal bases into the supervisory processes is also necessary, some of which involves substantial effort. A selection of regulatory projects is described in the Annual Report. The FMA's contribution to joint regulatory activities amounted to 4,002 hours of work in the reporting year.

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## IMPLEMENTATION OF BANKING PACKAGE

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In mid-2019, the Banking Package was published in the Official Journal of the EU. This package includes amendments to the key EU regulatory framework for banks (Capital Requirements Directive, CRD, and Capital Requirements Regulation, CRR) and the EU resolution regime (Bank Recovery and Resolution Directive, BRRD). In the area of supervisory law, key requirements of the Basel Committee on Banking Supervision are being implemented for the EEA in order to strengthen the stability of banks and banking groups. These requirements include a revision of the capital buffer regime to increase accuracy, a licensing requirement for (mixed) financial holding companies, a recommendation for additional own funds to cushion stress scenarios, more risk-sensitive capital requirements, a mandatory leverage ratio, and a mandatory structural liquidity ratio. The requirements also aim to reduce the administrative burden for small, less complex banks. The amendments to the BRRD include comprehensive adjustments to the provisions on the minimum requirement for own funds and eligible liabilities (MREL).

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Supervision also  
contributes to a  
sustainable financial  
sector through  
its activities.

At the FMA, a project team dealt with transposition of these extensive and complex EU legal acts. In the reporting year, both the consultation report and the report and motion for implementation of the CRD V directive were prepared. The CRR II regulation is directly applicable in Liechtenstein following its EEA incorporation. The Liechtenstein Parliament considered the legislative package in a first reading in its December session. The national entry into force for CRD V and CRR II is scheduled for 1 May 2022.

With regard to transposition of the amendments to the BRRD (BRRD II), the FMA prepared a draft consultation report. The consultation on the legislative package for implementation of this directive is scheduled to begin in the first quarter of 2022. Entry into force is planned for the end of 2022 or the beginning of 2023.

In another project, the key principles for the outsourcing of services, activities, or processes were revised in the Banking Ordinance (BankV) and adjusted to the European supervisory standards. The amendments to the Banking Ordinance entered into force on 1 January 2022.

## SUSTAINABLE FINANCE

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In its Green Deal, the European Union has set itself the goal of making the transition to a modern, resource-efficient, and competitive economy. One of the goals is to achieve zero net greenhouse gas emissions by 2050. The financial services sector is being involved in these goals through enactments such as the EEA-relevant, sustainability-related Disclosure Regulation (Regulation (EU) 2019/2088) and the Taxonomy Regulation (Regulation (EU) 2020/852), which will become directly applicable in Liechtenstein after incorporation into the EEA Agreement. The EEA Financial Services Sustainability Implementation Act (EWR-FNDG), which was drafted by the FMA in 2021 on behalf of the Government and is scheduled to enter into force

# WE STAND

# FOR SUSTAINABLE REGULATION.

- 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.

on 1 May 2022, serves as the national implementation and advance transposition of the EU regulations and of the Level 2 acts that are still to be issued by the European Commission for the implementation of the EU regulations. The EWR-FNDG will be considered conclusively in a second reading in March 2022.

The aim of these acts is to redirect private capital flows in the direction of sustainable investments, in particular through transparency rules, and to prevent greenwashing. Another crucial aspect is the inclusion of sustainability risks in general risk management in all sectoral laws applicable to the various financial market participants, with the purpose of safeguarding financial stability. Sustainability regulation also serves to strengthen the attractiveness of the Liechtenstein financial centre as a sustainable financial market. In addition to the regulations mentioned above, the EU sustainability regulations are supplemented by significant delegated and implementing acts. Once these acts are incorporated into the EEA Agreement, they are in general directly applicable in Liechtenstein.

## AMENDMENT OF INSURANCE DISTRIBUTION ACT

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On 2 September 2021, the Liechtenstein Parliament adopted the report and motion on amendment of the Insurance Distribution Act (VersVertG). With these amendments, the basic amounts for professional liability insurance and for the financial capacity of insurance intermediaries were raised pursuant to EU requirements. The procedure for demonstrating that insurance and reinsurance intermediaries have fulfilled their continuing professional training and development requirements was also simplified. This ensures consistent implementation of the FMA's risk-based supervisory approach while relieving the administrative burden of insurance and reinsurance intermediaries. The amendments enter into force at the same time as the incorporation decisions on the relevant Commission Delegated Regulation.

## **OUTLOOK**

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In 2022, Liechtenstein's financial market regulation will continue to be shaped significantly by the corresponding activities at the EU level. The EU is expected to finalise its Digital Finance Package. Due to Liechtenstein's pioneering role in new financial technologies, this legislative package will be of great importance for the Liechtenstein financial centre. The EU legislative process will be closely accompanied by the FMA.

In the interest of further strengthening anti-money laundering mechanisms, the Anti-Money Laundering Package (AML Package) is expected to be adopted at the EU level. This package is one of the most significant advancements of the AML legal framework in recent years. In particular, a central authority is to be created for money laundering supervision.

Furthermore, the resolution regime – which is currently limited to banks, investment firms, and central counterparties – is expected to be extended to insurance undertakings. The aim is to strengthen financial stability and client protection. All these initiatives entail new obligations and tasks for both the FMA and Liechtenstein financial intermediaries.

Legislative processes for significant implementation projects are also scheduled to be initiated or completed in 2022. For example, the FMA will further specify the new concept for the financial market supervision law architecture for banks and investment firms and prepare a detailed project plan. As part of this project, the legal foundations of prudential supervision and conduct-of-business supervision for banks and investment firms are to be disentangled and largely aligned with the normative structure of EU law. The legislative process to implement the amendments to the BRRD is to be completed by the end of 2022. Finally, the legislative processes for extending the FMA's funding base and for implementing the Covered Bond Directive (CBD) are to be initiated. The latter harmonises rules governing covered bonds in the EEA.

PROGRESS REPORT

# EXTERNAL RELATIONS

The FMA maintains a wide range of national and international relations. Conference and webinar software have become established digital solutions for exchanges with authorities and other partners. While it was again possible to hold certain national events in person, only a limited number of international meetings could be held in light of the Covid-19 pandemic. At an event in the autumn, the FMA warned of the high level of household debt in Liechtenstein and published a report on that topic. The FMA engages in dialogue with the public to raise risk awareness. The FMA leadership visited Switzerland for work meetings and held discussions with industry associations. These high-level discussions serve to convey knowledge about the Liechtenstein financial centre, to strengthen confidence in it, and to address the interests of Liechtenstein and Liechtenstein financial intermediaries.

## ANNUAL MEDIA CONFERENCE: STRONG FINANCIAL SECTOR DURING THE PANDEMIC

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The FMA held its traditional annual media conference on 15 April. As in the previous year, the media orientation was live-streamed due to the Covid-19 pandemic. Chairman of the Board of Directors Roland Mueller and CEO Mario Gassner informed the media representatives about the state of the financial sector, which reported good results despite the pandemic and served as a support for the real economy. The Covid-19 pandemic has increased the challenges for the financial sector, however, and risks have increased. Thanks to its high level of digital maturity, the FMA was able to carry out its supervisory activities without restriction even during the pandemic. Other topics discussed at the media conference included the development of the individual sectors of the financial centre, the proceedings conducted due to violations of the Due Diligence Act, the supervisory priorities of the FMA, and the first-time registration of FinTechs as TT service providers.

## WORK MEETINGS IN SWITZERLAND

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The Chairman of the Board of Directors and the CEO held work meetings with top representatives of industry associations in Switzerland. Discussions took place with the Swiss Bankers Association (SBA), the Swiss Insurance Association (SIA), and the cross-industry initiative "digitalswitzerland". The high-level discussions serve to convey knowledge about the Liechtenstein financial centre, to strengthen confidence in it, and to address the interests of Liechtenstein and Liechtenstein financial intermediaries. The discussions focused on the mutual relations of the Swiss and Liechtenstein financial centres,

overcoming the economic consequences of the Covid-19 pandemic, digitalisation of the financial sector, cybersecurity, sustainable finance, and regulation.

Switzerland is an important market for Liechtenstein banks, insurance companies, asset managers, the fund centre, and the fiduciary sector. Due to the traditionally close neighbourly economic relations and the customs and currency treaty with Switzerland, Liechtenstein financial intermediaries benefit from privileged access to the Swiss economic area. They also use the Swiss financial market infrastructure. For Swiss financial market participants, Liechtenstein serves as a close hub with direct market access to EU and EEA countries.

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## TRANSFER OF KNOWLEDGE AND INFORMATION

The FMA strives to pass on its specialist knowledge to financial market participants and students and to create added value with this transfer. In the reporting year, 12 FMA employees gave 18 presentations at public events. Priorities included regulatory topics in banking as well as new financial technologies. Employees also gave presentations at Compliance Day 2021, at workshops for auditors, and at information events of professional and industry associations. The FMA maintains close cooperation with the University of Liechtenstein and passes on knowledge to university students and professionals in continuing training programmes. For this purpose, the FMA mainly teaches as part of master's, bachelor's, diploma, and certificate programmes at the Institute for Finance at the University of Liechtenstein. Nine FMA employees taught a total of 39 lessons.

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## WEBINAR FOR SUSTAINABLE FINANCE

On 2 July 2021, the FMA held a webinar for financial intermediaries on sustainability-related disclosure requirements in the financial services sector. Sustainable finance includes designing services and products in such a way that financial intermediaries take special account of and disclose ESG criteria in business and investment decisions. ESG refers to the three sustainability-related areas of responsibility of companies, namely environmental, social, and governance.

The webinar served to improve general understanding of the obligations under the Disclosure Regulation (EU Regulation 2019/2088) and showed the connections



## WELCOME TO THE FMA

The FMA is an approachable authority and is available to its clients in a timely manner. 211 meetings with external clients were held during the reporting year in the modern and inviting client zone. Before the Covid-19 pandemic, 1,233 meetings were held in 2019. Most of the meetings during the reporting year were conducted via videoconference. While videoconferencing has become established, feedback from clients indicates that physical meetings are still considered necessary and valuable. The FMA looks forward to welcoming more clients to the FMA again in future.

with the Taxonomy Regulation (EU Regulation 2020/852). The supervisory requirements applicable to the individual sectors were explained in detail. Through this webinar, the FMA was able to pass on its specialist knowledge to financial market participants and create added value thanks to this transfer of knowledge. About 120 people took part in the webinar.

## COMPREHENSIVE INSURANCE PROTECTION AGAINST FIRE AND NATURAL HAZARDS

On 14 October 2021, the FMA published the first edition of the brochure on [Fire and Natural Hazard Insurance in Liechtenstein](#). With this new information offering, the FMA presents facts and figures on the insurance of buildings and household effects against fire and natural hazards and demonstrates the great importance of this insurance for the economy and the population. The brochure is updated annually.

Heavy windstorms and precipitation caused massive devastation and cost lives in many European countries during the summer. Liechtenstein was spared from severe events. But in light of its topography, Liechtenstein is particularly exposed to the forces of nature. Moreover, more frequent extreme events are expected in future due to climate change. Despite all preventive measures, fire continues to be a latent danger and causes damage every year.

Together with Switzerland, Liechtenstein is one of the few countries with nationwide insurance coverage against fire and natural hazards for buildings and household effects. This is achieved by way of an insurance obligation for all buildings, and through double solidarity among both insured parties and insurance undertakings. At the end of 2020, 12 insurance undertakings in Liechtenstein insured values in the amount of CHF 27.4 billion against fire and natural hazards, corresponding to four times the



# RISK DIALOGUE

Liechtenstein real estate and mortgage market:  
Current developments and risks from the perspective  
of financial stability, 20 October 2021, Vaduzer Saal

Prime Minister Daniel Risch;  
Mario Gassner, FMA; Martin Gächter, FMA





On 26 December 1999, Cyclone Lothar sweeps over Liechtenstein and leaves behind massive damage.

© Sven Beham

gross domestic product. This high value also shows the great economic significance of this insurance. It is an important component of the country's integral risk management, which includes precautions against natural hazards, the management of natural events, and reconstruction. Fire and natural events can cause damage on a scale that massively exceeds the financial resources of private individuals and businesses for reconstruction. At the same time, the insurance also makes an important contribution to financial stability by ensuring that mortgages – both private and commercial – are appropriately protected even in the event of loss.

Windstorm was the most common cause of loss from natural events in 2020, with 226 claims. In fire insurance, lightning was the most frequent cause of loss that year. Of a total of 124 claims, lightning accounted for 26 claims. In total, insurance undertakings made payments of CHF 5.1 million for fire damage and CHF 1.1 million for natural hazard damage in 2020.

Insured natural hazard losses are losses caused by the natural events of high water, floods, windstorm, hail, avalanche, snow pressure, rockslide, rockfall, and landslide. The FMA is entrusted with various supervisory functions in fire and natural hazard insurance and has access to the necessary data material. The brochure on Fire and Natural Hazard Insurance in Liechtenstein is updated annually.

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## FACTS AND FIGURES ON OCCUPATIONAL PENSION PROVISION

In October, the FMA published its report on [Occupational Pension Provision in Liechtenstein](#). Liechtenstein pension schemes proved their reliability even during the coronavirus pandemic and continued to be in solid shape. One chapter of the report takes an in-depth look at the impact of the pandemic. The publication also includes an interview with Manfred Huesler, Director of the Occupational Pension Supervisory Commission (Switzerland), on the challenges facing the second pillar. The Liechtenstein occupational pension system is closely based on the Swiss occupational pension system.

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## NATIONAL COOPERATION

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The FMA maintains a regular exchange with representatives of the professional and industry associations. Major topics included the operational and financial impact of the Covid-19 pandemic, industry-specific regulations, and digitalisation. Sustainability issues – especially the handling of sustainability risks in risk management – have become more important. The exchange with market participants on regulatory issues was also intensified. For example, the FMA regularly participates in regulatory round tables and workshops of the industry associations or organises them itself.

FMA specialists gave presentations at various information events and conferences organised by associations during the reporting year. For the FMA, these are welcome opportunities to provide first-hand information to financial market participants on supervisory or regulatory issues. In July, the FMA held an online seminar on sustainable finance. The aim was to show the participants in the financial centre the current state of development and to draw attention to the need for action.

Relations with the Government and other authorities arise from supervisory activities, the preparation of regulatory projects on behalf of the Government, or the involvement of the FMA in international supervisory bodies. In addition, several bodies convene regularly, such as the Financial Stability Council, the Task Force on Restrictions on Liechtenstein Companies and Financial Centre Participants, the Financial Stability Dialogue, and the Annual Meeting on Building Insurance, in which representatives of the Government, the public authorities, and, as appropriate, market participants exchange views. Discussions are also held between the authorities

and the Government on current topics as needed, such as in the reporting year on redistribution in the second pillar.

## BILATERAL COOPERATION

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Bilateral cooperation with foreign partner authorities plays an important role in supervisory activities. Banks and insurance groups engaged in cross-border business must be considered and assessed as a whole for supervision purposes. As part of group supervision, Banking Supervision and Insurance Supervision participated in numerous colleges with national supervisory authorities of other countries. As the responsible group supervisor of Liechtenstein banking groups, Banking Supervision has also organised supervisory colleges in which representatives of partner authorities participated in turn. As in the previous year, the colleges in 2021 were increasingly held in the form of conference calls or videoconferences. Supervisory cases also required cooperation with partner authorities.

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**Presentations at information events and conferences gave the opportunity to provide first-hand information to financial intermediaries.**

Authority	Peer Review	Outcome
EBA	Peer review on the supervision of management of non-performing exposures	Not completed by the end of 2021.
ESMA	Peer review on the approval of securities prospectuses	Fully compliant.
EIOPA	Peer review on outsourcing	Not completed by the end of 2021.
ESRB	Peer review on ESRB recommendation 2020/08: Monitoring the implications of debt moratoria taken in response to the COVID-19 pandemic (B)	Fully compliant.
EIOPA	Follow-up review on key functions	Not completed by the end of 2021.
ESRB	Peer review on ESRB recommendation 2019/18: Exchange and collection of information for macroprudential purposes on branches of credit institutions	Fully compliant.
ESRB	Peer review on ESRB recommendation 2016/14: Cross-border effects of and voluntary reciprocity for macroprudential policy measures	Largely compliant.
ESRB	Peer review on ESRB recommendation 2020/06: Liquidity risks arising from margin calls	Fully compliant.
ESRB	Peer review on ESRB recommendation 2020/07: Restriction of distributions during the COVID-19 pandemic	Fully compliant.

**Table 9**  
Peer reviews

## EUROPEAN COOPERATION

The FMA is a member of the European supervisory authorities (ESAs) and participates in numerous ESA committees and working groups relevant to the Liechtenstein financial centre. In AML/CFT, the FMA is represented in the Expert Group on Money Laundering and Terrorist Financing (EGMLTF) and the competent bodies of the ESAs. Macroprudential supervision is coordinated at the European level by the European Systemic Risk Board (ESRB), of which Liechtenstein is a member. Representatives of the FMA regularly take part in the meetings of the ESRB General Board, the Advisory Technical Committee (ATC), and the Analysis Working Group (AWG). Martin Gaechter, Head of Financial Stability/Macroprudential Supervision at the FMA, is a member of the ESRB Editorial Board. The ESRB Editorial Board is responsible for the ESRB's research publications.

The ESAs ensure consistent and equivalent implementation and application of the regulatory framework for financial market supervision throughout Europe. Peer reviews are conducted to assess the supervisory practice of the national supervisory authorities. In the reporting year, the FMA was involved in nine peer reviews. Six of these were completed in the reporting year. Implementation of the regulatory framework was assessed as "fully compliant" in five cases and "largely compliant" in one case. Most of the peer reviews were conducted through the ESRB. The ESRB examined implementation of various ESRB recommendations, such as Recommendation 2020/08, which requires national macroprudential authorities to monitor the financial stability aspects of fiscal measures taken to support the real economy in the context of the Covid-19 pandemic, and Recommendation 2020/07, which restricted distribution practices during the pandemic.

# 03

**WE  
PURSUE  
ACTIVE  
DIALOGUE.**

- We engage in dialogue with our national and international stakeholder groups. We ensure that we are recognised 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.

The FMA also received 70 questionnaires from the ESAs (previous year: 90). One of the aims of these questionnaires – some of which are very extensive – is to examine supervisory practice. They also serve to gather information about new risks and trends, to harmonise supervisory practice in the EEA countries, and to serve as a basis for regulation. The topics covered are very diverse. For example, EIOPA asked about current consumer trends in several questionnaires. Another important topic of the questionnaires in the reporting year was digitalisation and its impact on consumer behaviour and regulation.

### GLOBAL COOPERATION

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The FMA is a member of the most important international supervisory bodies, where it represents Liechtenstein interests. These include the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), and the International Organisation of Pension Supervisors (IOPS). The meetings of these bodies primarily took place digitally in 2021. Liechtenstein is also a member of MONEYVAL, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. MONEYVAL is one of the nine FATF-style regional

bodies (FSRBs) of the standard-setting Financial Action Task Force (FATF). The regional bodies must likewise fully implement the FATF standard. Like the FATF, the regional bodies carry out peer reviews of their member countries. The MONEYVAL assessment of Liechtenstein took place in the reporting year.

### OUTLOOK

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At the national level, the FMA maintains relations with representatives of the professional and industry associations and provides information on its supervisory activities at events organised by the associations. As the pandemic situation allows, these events will increasingly take place in person again in future. However, the use of digital solutions will also be maintained, where they offer advantages. At the international level, the FMA is represented in various bodies and maintains an exchange with international organisations. The FMA expects that this dialogue will increasingly be continued through digital channels even after the pandemic. The FMA strives to expand its international relations and use them to strengthen its reputation and promote understanding of the financial centre. Particular importance is attached to strategic cooperation with partner and cooperation countries in support of Liechtenstein interests.



**Figure 6**  
Cooperation within the European System of Financial Supervision

PROGRESS REPORT

# ENTERPRISE AND TEAM

The FMA team worked for the second year under the conditions of the Covid-19 pandemic. A high level of digital maturity allowed the FMA to work efficiently and securely. The FMA aims to continue to be a modern and attractive employer. The updated human resources strategy preserves what is good and takes account of new developments and needs. The FMA has been recognised as the most family-friendly company. The trainee programme is very popular, guiding young professionals through the various specialist divisions and giving them insight into the big picture. One trainee is working on implementation of the data strategy. The goal of the data strategy is to provide the FMA with the technical and organisational capacity to efficiently carry out high-quality, data-driven supervision.

## BUSINESS OPERATIONS AND WORK DURING THE PANDEMIC

In 2021, the FMA operated under the conditions of the Covid-19 pandemic for the second year. Thanks to a high level of digital maturity in business and supervisory processes and a work-from-home policy established already before the pandemic, the FMA continued to operate within its ordinary scope during the reporting year. Hopes in the early summer that the situation would normalise soon were not fulfilled, due to the strong spread of the Delta variant of the coronavirus in late summer. The Omicron variant again required further restrictions in December. Communication between FMA employee was again largely virtual.

The FMA consistently implemented the Government's orders and recommendations. The goals were to protect the health of employees and their families and to maintain FMA operations. Employees with care responsibilities that could not be delegated were given the opportunity to perform these responsibilities as needed. Due to the high proportion of work from home and consequently a low density of persons working on the premises of the FMA, safety in the FMA offices was ensured at all times. At the end of December, the one-person-per-office rule continued to apply. The FMA's Safety and Security Committee was entrusted with monitoring developments, setting rules, coordinating and communicating those rules with the Executive Board, and monitoring compliance.

Communication with market participants and other stakeholders took place mainly via videoconferencing. The option of meetings in person was also offered, in compliance with the health and safety measures. While over 1,200 meetings were held with external clients prior to the pandemic, 211 meetings were held in the reporting year. On-site inspections

of financial intermediaries by FMA employees took place in compliance with the safety measures. Internships for students and graduates were also offered during the pandemic. 13 interns were employed as of the end of 2021.

## HUMAN RESOURCES STRATEGY: ENSURING EMPLOYER ATTRACTIVENESS

Sufficient availability of qualified specialists is of crucial importance for the FMA to be able to fulfil its mandate. In 2015, the Board of Directors adopted a human resources strategy aimed at promoting the attractiveness of the FMA as an employer and ensuring the further development of human resources policy. In 2018, the strategy was supplemented with a gender diversity strategy, which aims to ensure compatibility of family and career for women and men, irrespective of hierarchical level and function, and in particular to increase the proportion of women in the management team.

Building on these strategies, the Board of Directors adopted an updated human resources strategy in December of the reporting year with a time horizon until 2028. Several factors relating to human resources management, such as sustainability and agility, have increased in the meantime. Sustainability includes an environmental dimension, such as the FMA's environmental footprint; an economic dimension, such as human resources development; and social dimensions, such as diversity and the compatibility of family and career. Agility aims to ensure that necessary changes can be introduced in a forward-looking, flexible, and proactive manner as a result of changing conditions. External framework conditions such as digitalisation, social and demographic change, and sustainable development goals are the drivers of such changes.

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## STRATEGIC PRIORITIES

### The FMA's attractiveness as an employer

is to be further enhanced in the relevant labour markets. Key elements include an appreciation concept for the performance, dedication, and attitude of employees; compatibility of family and career; employer marketing; sustainable retention of employees through attractive continuing training opportunities and company health management; and the inclusion of social issues such as climate protection in human resources policy.

A further aim is to support **digitalisation** through human resources policy: In addition to the efficient deployment and use of digital technology, a digital mindset and digital skills are to be promoted. Of particular relevance is mobile work, involving a modern spatial concept and work from home to establish flexible forms of work and cooperation.

**Management training** is being guided by the new demands on management work. The focus is on socially, economically, and environmentally sustainable thinking and action, competencies with regard to digitalisation and mobile work, and dealing with change with a view to new forms of work.

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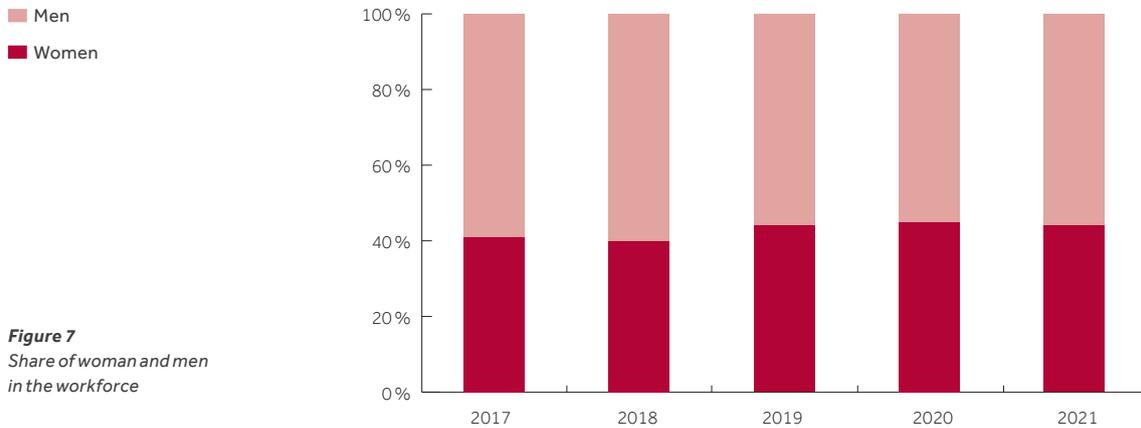
The effectiveness of the human resources strategy is reviewed on a regular basis. In 2017, the FMA participated in the Swiss Arbeitgeber Award (Swiss Employer Award) benchmark study. This employee survey was conducted again in 2020 with a very good result. The FMA was awarded the Swiss Employer Award, ranking second in the category of medium-sized companies. For the FMA, the result was confirmation that it was on the right track with its 2015 human resources strategy. In addition to strengths, the survey also revealed potential for improvement. In the reporting

year, measures were implemented to promote a positive error culture, cross-divisional cooperation, and more flexible handling of resources, and the FMA's organisational structure and cross-divisional processes were reviewed. Further findings relating to leadership, agility, and digitalisation were incorporated into the updated human resources strategy.

The gender diversity strategy set a target of 20% women in management positions in 2021. This figure rose from 15% in 2018 to 20% in 2020. With the departure of a female section head in the reporting year, this figure fell below the target to 14% as of the end of 2021. At the end of 2021, there were three women and 18 men in management positions. The conditions for a future increase in the proportion of women in management positions have been created with the 2015 human resources strategy and the gender diversity strategy. The new human resources strategy continues to attach great importance to the advancement of women, flexible working models, part-time work in all positions and, as a general matter, the compatibility of family and career.

The share of women in the FMA workforce has increased slightly in recent years, reaching 44% at the end of 2021. Compared to supervisory authorities in nearby countries, the FMA's gender distribution is in the middle of the field. For Liechtenstein, the employment statistics show a share of 40% women in the workforce.

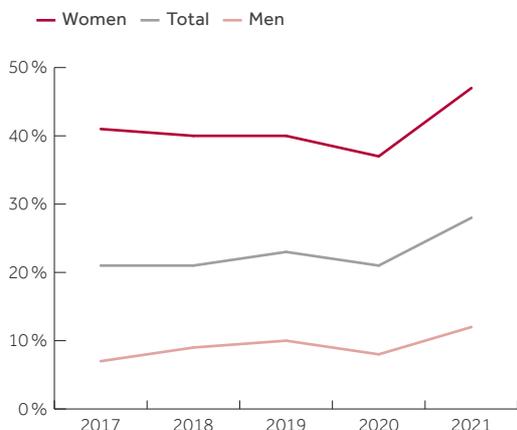
The possibility of working part-time is a core element of the compatibility of family and career. Part-time positions are open to all employees, regardless of hierarchical level and function. At the end of 2021, 28% of employees worked part-time, of which 76% were women and 24% men. Part-time work is also increasingly being taken up by men – also in management positions – albeit at a still relatively low level. The employment statistics for Liechtenstein show a part-time share of 30% of the total number of workers.



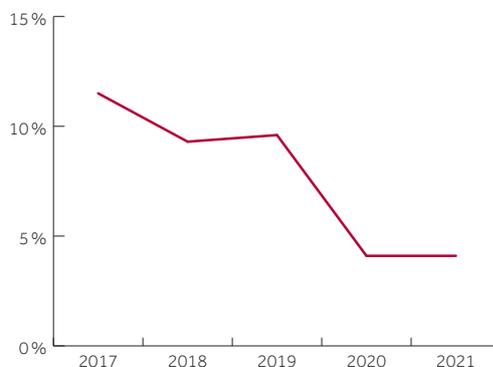
**Figure 7**  
Share of woman and men  
in the workforce

The FMA is interested in the long-term commitment of its employees. This factor is weighted accordingly in the design of working conditions and development opportunities. At the end of 2021, the employee turnover rate was a low 4%. Before the pandemic in 2019, this figure was just under 10%. A turnover rate of 8% to 12% is considered a good level for the company's development. Another indicator of employee satisfaction is the low absenteeism rate (illness, accident, maternity) of 2.6% in 2021.

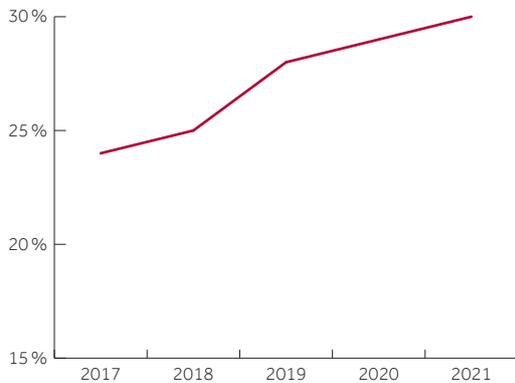
Due to its high demand for specialists, the FMA is dependent on employees from abroad. By positioning itself as an attractive employer with modern working conditions, exciting and responsible work, and good development opportunities, the FMA strives to motivate as many Liechtenstein citizens as possible to apply. Training formats such as internships and trainee programmes also have the potential to attract Liechtensteiners for subsequent permanent employment. At the end of 2021, 30% of employees were Liechtenstein citizens. In 2015, this share was still 22%.



**Figure 8**  
Share of employees with an employment  
level equal to or lower than 90%



**Figure 9**  
Employee turnover rate



**Figure 10**  
 Share of employees with Liechtenstein citizenship

### SILVER AND BRONZE

At the HR Inside Summit in Vienna, FMA's employer presence was awarded second and third place. In the Employer Branding category, the FMA's entire employer presence received the silver medal. The FMA Career Travel Blog won bronze in the Recruiting category. For the supervisory authority, these awards are confirmation that the FMA's employer presence and the FMA Career Travel Blog have been original and effective projects.

### MORE EFFICIENT SUPERVISION THROUGH BIG DATA

The volume of data processed by the FMA in its supervisory activities is ever increasing. This requires efficient, largely automated data processing that is as error-free as possible. At the end of 2020, the Executive Board adopted a data strategy that addresses these challenges. While data processing so far has focused strongly on manual intervention, process automation is to be strengthened considerably in the course of implementing the data strategy. Automation not only serves to increase efficiency – aggregation of data also makes it possible to take a holistic view of the market across industries and in that way to gain new insights. The data strategy also facilitates the transfer of expertise within the FMA, thereby reducing dependence on individual knowledge carriers.

The goal is for the FMA to have an enterprise-wide "data lake" in which all supervisory data is centrally stored. This will enable employees to generate individual visualisations, data clusters, and queries from this data. To ensure that this project is successful, importance must also be attached to employee training and cultural change. Data protection requirements are also taken into account.

In the first quarter, the elements of the data strategy were verified in an effectiveness test in the context of the Solvency II reports of the insurance undertakings. In addition to technical foundations, responsibilities were clarified and the necessary processes were established. The effectiveness test was completed successfully.

Various requirements relating to validation, preparation, and pre-analysis of data have already been implemented. Implementation of these first projects shows great potential for increasing efficiency and improving the quality of data analysis.

# 04

**WE  
THINK**

**AND ACT ENTRE-  
PRENEURIALY.**

- 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 in a business-like, transparent, and speedy manner.

By the end of 2021, all four specialist divisions were able to benefit from the elimination of certain manual review steps. Six peripheral systems were connected to the central evaluation tool as a data source, and more than 30 reports were implemented in the big data cluster.

### MOST FAMILY-FRIENDLY

Ensuring the compatibility of family and career is an important concern for the FMA. The aspiration is for the FMA to be an equally attractive employer for women and men in all positions. As part of the “family-friendly ’21” campaign, the FMA received the award from the Government in November as the most family-friendly company in the category “Medium-sized companies, 21 to 250 employees”. The award was given to companies with an exceptional commitment to the compatibility of family and career. The FMA is delighted about this award, which confirms and strengthens its efforts to continue to place a high value on the compatibility of family and career.



Head of HR Martin Schaedler presents the award.

### DIGITALISATION OPENS UP NEW OPPORTUNITIES

For years, digitalisation has been changing the world of work, creating new opportunities but also challenges for the FMA. With the enactment of its digital strategy, the FMA responded early on to the changing environment and created the conditions to take advantage of the opportunities afforded by digitalisation to increase efficiency and effectiveness. The FMA's high level of digital maturity was also a prerequisite for maintaining its business operations without restrictions at all times during the Covid-19 pandemic. New technological developments are reviewed on an ongoing basis with regard to potential benefits for the FMA's workflows.

**Fit & proper tool:** In the reporting year, automated data analyses based on artificial intelligence (AI) were used for the first time. In addition to increasing efficiency, these automated analyses also serve to improve the quality of the analysis results. The AI-supported analysis supports employees in the fit & proper test of natural persons with an automated search and a pre-analysis of the hits. The experience gained so far has been consistently positive. The AI-supported analysis for the fit & proper test is to be further expanded.

**Transaction monitoring:** Investment firms conducting transactions in financial instruments (e.g. shares or options) must report all transactions in detail to the FMA. This obligation was introduced in Europe with the EU Markets in Financial Instruments Directive (MiFID II). Transaction monitoring is supported by automated analyses. For this purpose, transactions are assessed and checked using various scenarios. These scenarios were further improved and refined in the reporting year to optimise the results.

# 10 YEARS OF DIGITALISATION

Digitalisation has changed the way the FMA works. From the introduction of calculation tools about ten years ago to the AI-based, automated analysis of supervisory data, numerous IT solutions have increased the FMA's efficiency.

**Official signature:** The introduction of electronic official signatures has also helped to increase efficiency. The revised E-Government Act (E-GovG) requires an official signature when electronic documents are issued in order for them to be considered originals. By introducing the digital official signature, the FMA can increasingly switch to a purely digital exchange of official documents and avoid media discontinuities.

**Know-how database:** Knowledge is one of the most crucial resources of the FMA. Existing knowledge must be made available to employees as comprehensively and transparently as possible. For this purpose, a new know-how database has been introduced. The database provides FMA employees with a broad collection of knowledge, taking into account the applicable data protection provisions.

**e-Service Portal:** The FMA's e-Service Portal was updated. The e-Service Portal is the FMA's primary digital channel for collecting the required reporting data. Since its introduction in 2015, its functionality has been expanded continuously. However, the technological basis had become outdated, and the user interface no longer met the requirements of a modern web application. For this reason, the e-Service Portal was completely revised and modernised. The user interface was optimised, and the performance of the portal was improved significantly.

**Computer-based telephony:** In 2021, the FMA switched completely to a computer-based communications solution. All telephony, videoconferencing, and other collaboration functions are used exclusively via IT end devices such as notebooks and smartphones. This has proven very successful, especially with regard to the work-from-home requirements due to the pandemic.



**2010**

For the first time, the FMA Annual Report is available only digitally.



**2010**

The information security management system is introduced. This system monitors IT threats and establishes rules of conduct for handling data.



**2010**

The ABT tool for calculating supervisory taxes is introduced.



**2011**

The online register is published on the FMA website, listing all licensed financial intermediaries.



**2011**

The Timesafe time tracking tool is introduced. Timesafe makes it possible to track the hours invested in various projects, cases, and regulatory topics.

As part of the FMA's implementation of its digital strategy, existing FMA tools are continuously optimised and adjusted to the latest requirements, and further specialised processes are digitalised. The FMA is increasingly examining the use of web-based standard solutions to implement IT requirements. Such cloud solutions are chosen only if they are able to meet the FMA's needs in compliance with the legal requirements, in particular data protection.

### GOAL ACHIEVED

The FMA organised another walking competition. Team FMA started on 28 September with 31 participants. The goal was to walk 5,826 km – virtually, to the Far North and back, but also in real life, by counting and registering metres walked every day with a pedometer. After a great start in September, Team FMA returned one month and 6,058,928 steps later. A great achievement. Congratulations to all the walkers!



Vaduz – Hamburg – Oslo – Helsinki – Riga – Warsaw – Vienna – Vaduz

### 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 confirm 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.

### GOVERNANCE, RISK & COMPLIANCE

The FMA has a governance, risk & compliance (GRC) system for the purpose of quality assurance and to prevent damage to its reputation, cases of official liability, or organisational failures. The integral approach of the GRC system includes aspects such as risk management and the internal control system, information security, compliance, personal security, data protection, and operational and occupational safety. In September, the GRC annual report was taken note of for the attention of the Executive Board and the Board of Directors. It was again confirmed that this integral approach and the integral risk management and control system of the FMA have proven their worth. The GRC annual report provides a comprehensive overview of all significant sub-aspects of the GRC system and of the activities and events during the reporting period. The GRC system is being further developed on an ongoing basis, and the internal processes are regularly reviewed.

In the reporting year, in-depth work was carried out on the further development of the FMA's crisis management mechanism. Using a gap analysis, the existing foundations were reviewed for their potential for improvement and supplemented in cooperation with a security expert. In this way, the FMA also ensures that appropriate tools are available for the crisis situations identified as main risks.

The Covid-19 pandemic again placed extraordinary demands on the Safety and Security Committee. The committee assessed the situation on an ongoing basis and, pursuant to the recommendations of the competent authorities, tightened or eased measures. It held 29 meetings in the reporting year. With the support of an external safety expert, the Safety and Security Committee also organised an exercise on one of the main risks identified. The Safety and Security Committee is chaired by Martin Schaedler, Head of Central Services and Member of the Executive Board. All security-relevant functions are staffed with the relevant specialists.

## FMA FUNDING

The FMA is funded by a contribution from the State, supervisory taxes and fees, and income from the provision of services.

In 2019, the Liechtenstein Parliament passed the proposal on amendment of the Financial Market Authority Act (FMAG), defining the State contribution for the years 2020 to 2023. The Principality of Liechtenstein will contribute a maximum annual amount of CHF 5 million to FMA funding for the years 2020 to 2023. The effective contribution of the State for the year 2021 was CHF 2,212,344 (2020: CHF 3,655,915).



## 2012

The FMA launches its new website. This allows information to be presented better and found more quickly than before.



## 2013

Customer Relationship Management (CRM) is introduced – the core system of the FMA to store the data of financial intermediaries in a structured way.



## 2014

The e-Service platform goes online. This makes it much easier for financial intermediaries to submit reports and provide the FMA with structured data for supervision.



## 2015

The FMA introduces a structured Document Management System (DMS).



## 2015

THOR is introduced – a platform that makes it possible to map the business processes of the specialist divisions in customised business applications.



## 2015

Working from home: FMA provides the infrastructure as well as Outlook WebAccess & Outlook Sync for working from home.

A LOOK AT THE

# FMA CAREER TRAVEL BLOG

FMA employees have already visited 39 places in Liechtenstein and the immediate vicinity for the [FMA Career Travel Blog](#). The blog shows excerpts from the fascinating life and work of the FMA team surrounded by the unique culture and landscape of Liechtenstein. Sonja Frommelt and Simone Villamar hiked the Fuerstensteig together with their dog Kara and were thrilled.



## Popular for 123 years

The Fuerstensteig is one of the most famous hiking trails in Liechtenstein and probably the most famous in the region. It was constructed in 1898, and thousands of adventurers still hike it every year – including Sonja and Simone, officers in the Banking Division, who especially appreciate the Fuerstensteig. For Sonja, the wonderful mountains in the Liechtenstein Alps mean relaxation and replenishing energy.



### International cooperation

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The Liechtenstein engineer Karl Schaedler and Heinrich Hueter, who served as chairman of the Vorarlberg section of the German and Austrian Alpine Club, planned a high-altitude trail between Vorarlberg and Liechtenstein at the end of the 19th century. Reigning Prince Johann II also supported the project. The Fuerstensteig was born.

# THE CLASSIC HIKING TRAIL HIGH ABOVE LIECHTENSTEIN

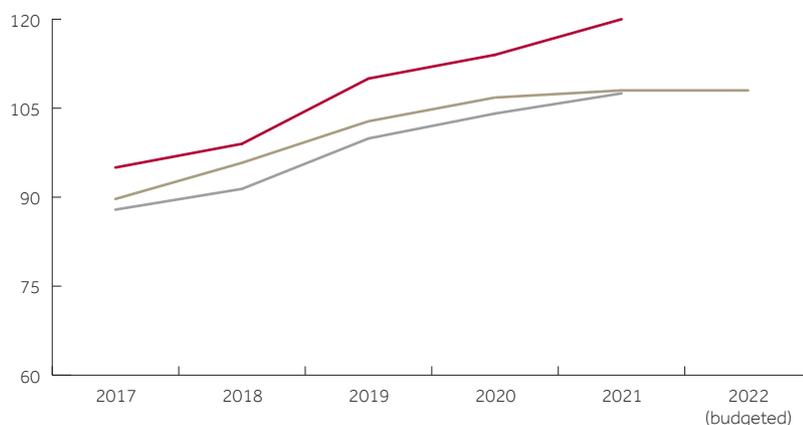
### Favourite place in the mountains

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What exactly makes the Fuerstensteig so fascinating? According to Simone, "Imagine a path leading through the middle of the imposing rocks that you can hike on, far above the valley with a magnificent view – that's truly impressive. This scenery fascinates me again and again."



— Persons  
 — positions approved  
 — positions filled



**Figure 11**  
 Development of workforce  
 and positions

## DEVELOPMENT OF THE WORKFORCE

In 2021, the average workforce at the FMA was 116 (previous year: 112). As of the end of December, the FMA employed 120 people (114). Nine were employed on a temporary basis. The share of women was 44% (45%). 33 employees worked part-time (24). Seven employees left the FMA during the reporting year (4), and ten new employees joined the FMA (8).

In total, 100.5 full-time positions (98.3) and seven temporary full-time positions (5.8) were filled as of the end of 2021. The staffing plan approved by the Board of Directors provided for 101 full-time positions (101) and seven temporary full-time positions as of the end of 2021.

The staffing plan for 2022 continues to provide for an unchanged 101 full-time positions and seven temporary full-time positions. Four of these positions are reserved for Junior Specialists as part of the trainee programme.

## EDUCATIONAL BACKGROUND AND NATIONALITIES

Because of its complex and specialised areas of responsibility, the FMA has a very high share of employees with an academic background. 49% of employees are lawyers, and 33% are specialists such as auditors, banking experts, economists, and actuaries. 18% of employees are officers or have a different educational background. IT specialists are becoming increasingly important.

FMA employees are largely from Liechtenstein and the surrounding countries of Switzerland, Austria, and Germany. 30% of the employees are Liechtenstein citizens, 20% Swiss citizens, 38% Austrian citizens, 10% German citizens, and 2% citizens of other countries. In its recruitment, the FMA strives to encourage as many Liechtenstein citizens as possible to submit job applications.

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## GENDER-INCLUSIVE LANGUAGE

In October, the Office of Social Services published [guidance on gender-inclusive language](#). The FMA follows the specifications and recommendations of this guidance, ensuring adequate representation of women and men in language. The FMA reserves the option of deviating from this guidance in certain cases, such as when referring to legal and regulatory texts formulated in the generic masculine.

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## CHANGES AND PROMOTIONS

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In December, the Government elected Christian Batliner as the new Chairman of the Board of Directors effective 1 January 2022. Christian Batliner has been a regular member of the Board of Directors since 1 January 2020. He holds the office of Chairman for the remaining term through the end of 2024. Roland Mueller, the previous Chairman of the Board of Directors, left the Board of Directors on 31 December 2021 due to term limits. The first term of Michèle Borgeaud, Vice Chair of the Board of Directors, ended at the end of December. The Government extended her mandate for a further term of five years. Ivo Furrer left the Board of Directors at the end of June after a ten-year term of office. He was succeeded by Yvonne Lang Ketterer, an insurance specialist elected by the Government for the term from July 2021 to June 2026.

Boris Blum took over as Head of the Supervision Section in the Banking Division as of 1 May, succeeding Markus Meier, who had been promoted to Head of the Banking Division effective 1 November 2020 and had since headed the Supervision Section on an interim basis. Daniel Gehri was promoted to Head of the DNFBP Section in the AML/DNFBP Division effective 1 June. The previous section head, Martina Tschanz,



2017

TRINITY facilitates the processing of transaction reports from banks via the first machine-to-machine interface.



2017

Based on MS PowerBI, a supervisory dashboard is introduced for the visualisation of Solvency II data.



2017

Risk rating reports are integrated into the e-Service Portal. This means that all financial intermediaries subject to the SPG are registered in the e-Service Portal for the first time.



2018

The THOR-Kolibri tool digitises incoming mail. Effective immediately, employees electronically receive mail addressed to them.



2018

The FMA digital strategy is developed and approved by the Board of Directors and the Executive Board. This sets the course for the FMA's digital future.



2018

Launch of Piazza, the third generation of the FMA intranet. This provides the FMA with a collaboration tool that meets modern standards.

had left the FMA at the end of March. Elena Seiser, Head of the Legal Section in the Banking Division, was appointed Deputy Head of the Banking Division effective 1 October.



### ON THE PATH TO MORE SUSTAINABILITY

As a supervisory authority, the FMA audits compliance with the rules for sustainable finance. But the FMA itself must also incorporate sustainability even more strongly and systematically into its actions. For that purpose, a sustainability strategy is being developed for the FMA. The office building meets the high Minergie standard, with very low energy consumption. The roof is equipped with solar panels, generating a maximum output of 58 kW. Thanks to the LiStrom alpin product, the FMA obtains its electricity entirely from alpine hydropower. In 2021, the partnership with Waterfootprint Liechtenstein was also extended. In this way, the FMA not only supports drinking water projects in developing countries, such as in Nepal in the reporting year, but it also saves more than 2 dl of petroleum per litre of drinking water thanks to the improved energy balance. In the pandemic year 2021, commuter traffic was about 80 % lower due to the high proportion of employees working from home. The FMA expects that the European supervisory authorities and global supervisory organisations will continue to make heavy use of video-conferencing in future, resulting in less business travel.

### TRAINING@FMA: PROFESSIONAL TRAINING, TRAINEE PROGRAMME, AND INTERSHIPS

The FMA relies on a broad spectrum of knowledge and competences of its employees to fulfil its responsibilities. Accordingly, it invests heavily in basic and continuing training. The FMA also attaches great importance to advancement of young professionals for the FMA and the financial centre.

The FMA offers two training positions for commercial apprentices. The apprentices are employed with the Liechtenstein National Administration. Over the course of their training, they work for a variety of public authorities and government offices.

A trainee programme guides young professionals through the various supervisory divisions of the FMA. On the job, they gain insight into supervisory activities, learn about how various topics interrelate, and benefit from the training effect. At the end of 2021, four positions were filled with young professionals from Liechtenstein. Two trainees are simultaneously completing doctoral degrees.

The FMA offers internship opportunities for students and graduates. As of the end of 2021, 13 interns accounting for a total of 10.2 full-time positions (previous year: 8.9) were employed. These internships are generally in the legal or economic field, with a duration varying from six to twelve months. In addition, a total of five holiday interns were employed in various areas for a period of one to three months.

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## INSIGHTS INTO PROFESSIONAL LIFE

On 11 November, National Future Day took place in Liechtenstein and Switzerland. On this day, pupils accompany their parents at work or take part in a special project. There was also a lot of activity at the FMA. Seven children visited and got to know the professional world of the FMA at four stations. In addition to a fun puzzle game and the filming of video clips, muffins were served, and there was plenty of time to let off steam on the large whiteboard.

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## OUTLOOK

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The adoption of the human resources strategy for 2022 to 2028 in the reporting year laid the foundation for ensuring the attractiveness of the FMA as an employer. In 2022, a detailed plan will be drawn up for implementation of the individual measures. One focus will be on employee development, in particular the development and expansion of digital expertise. The error culture at the FMA will also be addressed.

The world of work is undergoing rapid change due to the digital transformation and changing needs of employers and employees. In particular, the greater need for flexible working models and working from home has prompted the FMA to develop a work and mobility concept that takes future forms of work into account and ensures employer attractiveness. The core of the concept is the redesign of office space. The available space is to be used in an optimal way and designed so that employees enjoy working in this environment, while guaranteeing efficient working methods. Open-space rooms with focus zones for concentrated individual work, team zones for meetings, and project zones for collaborative work are



2019

The step-by-step transition from desktop computers to notebooks is now complete. All employees now work with a notebook.



2020

The annual media conference is livestreamed for the first time on Zoom.



2021

Internet telephony with headsets is introduced throughout the FMA.



2021

Data analytics is greatly expanded, and employees are offered further options for data evaluation.



2021

Knowledge management: The new know-how database goes live.



2021

The official signature of the FMA is introduced, ensuring electronic signing of documents.

planned. Finally, a fourth zone will be the home office. A pilot area is to be converted in 2022, allowing experience to be gathered that will then be incorporated into further redesign phases. This new form of work requires that employees are constantly involved in this change process and can help shape it.

Sustainable thinking and action is firmly rooted in the FMA's core principles, even though not verbatim. Sustainability has an environmental, economic, and social dimension. It covers responsible environmental action – e.g. to reduce the environmental footprint – as much as an entrepreneurial way of thinking, with the goals of careful management of the authority's financial resources and the competitiveness of the financial centre. Equally important is the social dimension, which can be seen especially in human resources management, respectful and appreciative team interaction, good governance, and compatibility of family and career. The updated human resources strategy attaches great importance to sustainable thinking and action. Because of this importance, the FMA is developing a sustainability strategy in 2022 so that sustainability can be addressed in a targeted manner and measured by actions and outcomes.

Another priority is implementation of the data strategy. The goal of the data strategy is to provide the FMA with the technical and organisational capacity to efficiently carry out high-quality, data-driven supervision.

The organisational structure of the FMA is reviewed each year. It was most recently adjusted in 2019 with the consolidation of anti-money laundering within a specific organisational unit. In the reporting year, the entire organisation of the FMA was analysed and adjustments were proposed. The new organisational structure is to be adopted by the Board of Directors in the new year and is scheduled to enter into effect on 1 April 2022.



#### **OPERATION CHRISTMAS CHILD**

Operation Christmas Child is a worldwide gift campaign for children in need. This year, FMA employees filled a total of 41 gift boxes for children in need in Central and Eastern Europe. We are very pleased that the children have received these fantastic surprises in colourful shoeboxes.

# 05

**WE  
RESPECT  
AND VALUE EACH  
OTHER WITHIN  
OUR TEAM.**

- 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.

# PERFECT INTRODUCTION

The FMA offers a perfect introduction to young professionals with its special trainee program, which guides them through the various supervisory divisions. On the job, they gain insight into supervisory activities, learn about how various topics interrelate, and benefit from the training effect. Alessia and Elias talk about their experiences.

"I studied law in Zurich, followed by a judicial internship at the Court of Justice. After that, I worked as a junior lawyer in a law firm, and most recently I worked at the diplomatic representation of Liechtenstein in Geneva. I heard about the trainee programme because I had already worked part-time at the FMA during my master's degree. I liked it very much, and even at the time I could imagine returning at some point. I have not regretted this decision. At the FMA, everyone treats each other as equals and with respect.

The trainee programme covers a broad range, because we move through various specialist divisions and gain a comprehensive insight into the activities of the supervisory authority. I'm currently working in the Insurance and Pension Funds Division, where I handle enforcement cases, write decrees, evaluate reports, and help with licensing procedures. I have also participated in on-site inspections.

It's exciting to gain insight into the big picture. I benefit from the wide-ranging expertise of my colleagues and learn a lot. I would definitely do the trainee programme again."

*Alessia Risch, Trainee*

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**"It's exciting to  
gain insight into  
the big picture."**

Alessia Risch



"After my bachelor's and then master's degree in economics in Bern, I worked for half a year at the Liechtenstein Institute in Bendern. I was already a student trainee there during my studies. At the Liechtenstein Institute, I got to know the Head of Macroprudential Supervision at the FMA. I was then able to complete a four-month internship with Martin.

During my internship, I became aware of the trainee position. Because I already liked the work at the FMA very much, I applied. I was then able to take up the position as a data analyst. Since then, I have been helping to implement the data strategy. I support all four specialist divisions and Central Services with regard to data. What's cool is that I often encounter new challenges through project-based work, but the core of the job remains the same. The trainee programme offers me a great introduction to the working world.

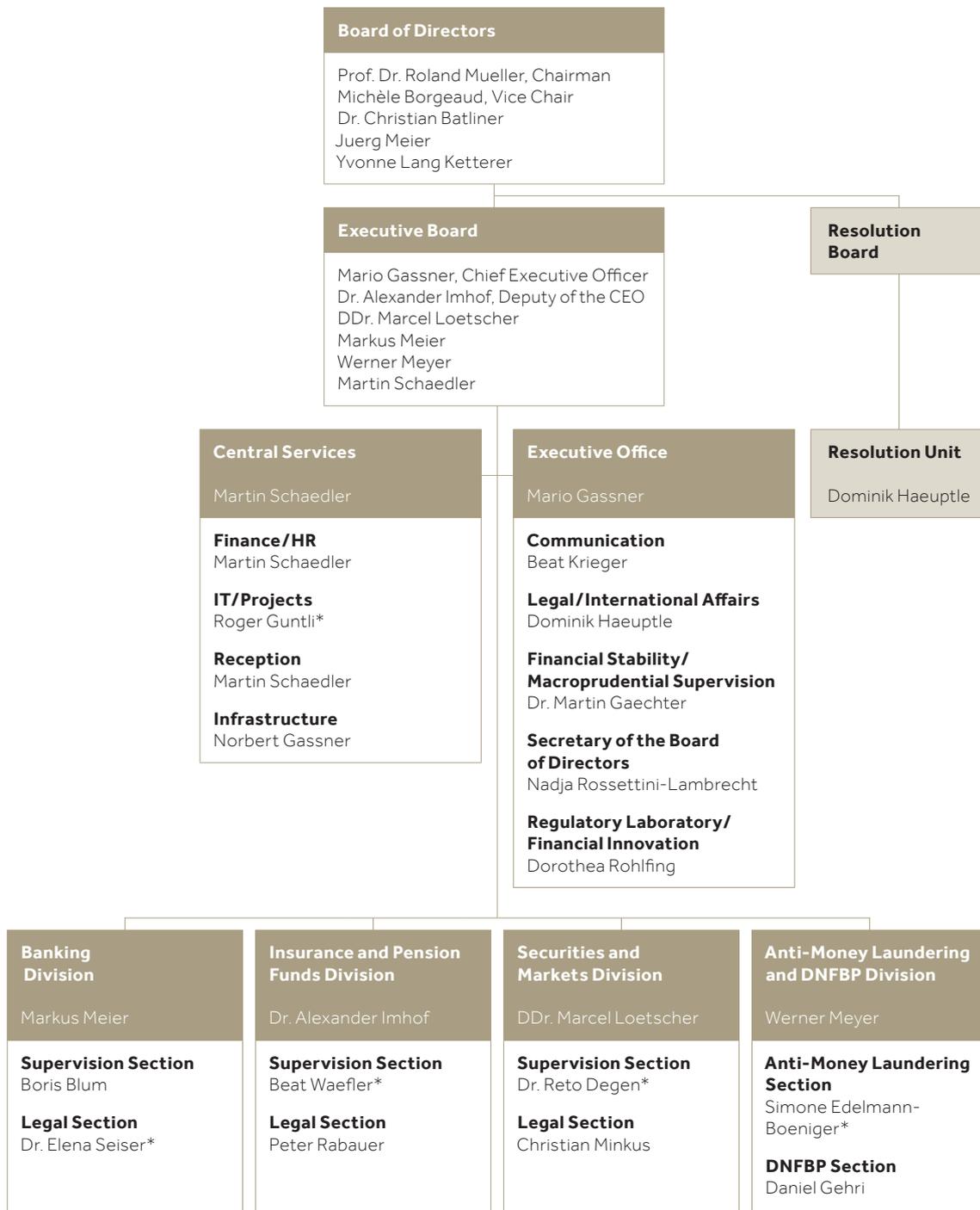
Alongside the trainee programme, I'm completing a PhD in Economics and Statistics at the University of Innsbruck. This is possible because the FMA generously supports further education for young employees, which I very much appreciate. The combination of work and doctorate is a perfect fit for me."

*Elias Hasler, Doctoral Student and Trainee*

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**"The trainee programme offers me a great introduction to the working world."**

Elias Hasler

**ORGANISATIONAL CHART OF THE FMA AS OF 31 DECEMBER 2021**


**Figure 12**  
 Organisational chart

\* Deputy Head of Division or Unit

## GOVERNING BODIES OF THE FMA AS OF 31 DECEMBER 2021

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

#### Chairman

Prof. Dr. Roland Mueller, Staad (Switzerland),  
elected 2010 – 2016 (Vice Chairman),  
2017 – 2019 and 2020 – 2021

#### Vice Chair

Michèle Borgeaud, Altendorf (Switzerland),  
elected 2017 – 2021 and 2022 – 2026

#### Members

Juerg Meier, Eschen,  
elected 2016 – 2020 and 2021 – 2025  
Dr. Christian Batliner, Triesen,  
elected 2020 – 2024 (Chairman 2022 – 2024)  
Yvonne Lang Ketterer, Waedenswil (Switzerland),  
elected July 2021 – June 2026

### Executive Board

#### Chief Executive Officer

Mario Gassner, Triesenberg

#### Deputy of the CEO and Head of Insurance and Pension Funds Division

Dr. Alexander Imhof, Vaduz

#### Head of Banking Division

Markus Meier, Buchs (Switzerland)

#### Head of Securities and Markets Division

DDr. Marcel Loetscher, Baden (Switzerland)

#### Head of Anti-Money Laundering and DNFBP Division

Werner Meyer, Wettswil (Switzerland)

#### Head of Central Services

Martin Schaedler, Triesenberg

### Audit Office

Applying Article 19(4) of the Financial Market Authority Act (FMAG), the Government transferred the function of Audit Office to the National Audit Office by its decision of 2 March 2010 (RA 2010/463). The responsibilities of the Audit Office are in principle governed by the specific provisions relating to the National Audit Office. The National Audit Office performs this function until the Government decides otherwise.

**Figure 13**  
Governing bodies

# ANNUAL REPORT AND FINANCIAL STATEMENT

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

## ANNUAL REPORT

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In its meeting of 17 November 2020, the Government approved the detailed 2021 FMA budget with a State contribution of CHF 3,660,000 and expenses of CHF 24,890,000. The actual expenses for the 2021 fiscal year were CHF 24,546,375, CHF 343,625 (1.4%) below the approved budget.

Income without the State contribution amounted to CHF 20,074,685, CHF 1,074,685 (5.7%) above budget.

Pursuant to Article 30b of the FMA Act, the FMA is required to set aside reserves each year, until the total reserves have reached 25% of the average ordinary expenses over the past three years according to the financial statement. According to the transitional provision, the amount of the total reserves, in derogation from Article 30b, is set at 30% for the 2021 business year. Under this legal requirement, the reserves for the year 2021 may not exceed CHF 7,225,818. Because the reserves already amounted to CHF 9,485,164 as of 1 January 2021, CHF 2,259,346 in reserves were released effective 31 December 2021. The State contribution was adjusted accordingly. Instead of the budgeted CHF 3,660,000, the State contribution for 2021 was CHF 2,212,344. Total income including the State contribution was thus CHF 22,287,029. Deducting the total expenses of CHF 24,546,375, the accounts closed with a loss for the year of CHF 2,259,346.

Personnel expenses in the 2021 fiscal year amounted to CHF 18,009,880 and were thus CHF 229,880 (1.3%) higher than budgeted. The main reason is that employee turnover in the 2021 fiscal year was lower than expected and certain positions remained unfilled for less time than assumed.

At CHF 5,000,947, other operating expenses were CHF 489,053 (8.9%) lower than budgeted. The main reason is that travel activity was still strongly reduced due to the Covid-19 pandemic. Due to the low employee turnover, recruitment costs were also lower, which had an impact on other personnel expenses. IT costs were likewise lower, given that certain IT projects had to be postponed until the 2022 fiscal year due to resource bottlenecks at external partners. On the other hand, membership fees and public relations were slightly higher than budgeted.

At CHF 1,505,805, write-downs were CHF 89,195 (5.6%) below budget.

After offsetting the loss of the 2021 fiscal year in the amount of CHF 2,259,346 with the reserves, the total reserves amounted to CHF 7,225,818 as of 31 December 2021.

## Outlook

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The statutory rules governing reserves, amended in 2019, provide that the maximum permissible level of reserves will be reduced step by step from 50% in the 2019 fiscal year to 25% by the 2022 fiscal year of the average ordinary expenses over the past three years according to the financial statement (2020: 40%, 2021: 30%, 2022: 25%). The current statutory funding arrangement with a maximum State contribution of CHF 5,000,000 and a maximum reserve level of 25% of the average ordinary expenses over the past three years according to the financial statement is still valid through the 2023 fiscal year. For FMA funding starting in 2024, an amendment to the FMA Act is necessary.

**BALANCE SHEET AS OF 31 DECEMBER (IN CHF)**

<b>Assets</b>		<b>2021</b>	<b>2020</b>
<b>Fixed assets</b>			
Intangible assets	– Software	1,516,798.44	1,332,805.16
Tangible assets	– Operating equipment	2.00	2.00
	– IT equipment	133,028.38	177,428.44
	– Furnishings	40,394.80	61,141.65
<b>Current assets</b>			
Receivables	– Receivables from services	225,753.61	235,371.65
	– Other receivables	0.00	16,116.75
Bank deposits and cash	– Bank	10,574,313.56	14,158,182.20
	– Cash	229.30	832.50
<b>Accrued items</b>		379,110.27	381,472.51
<b>Total assets</b>		<b>12,869,630.36</b>	<b>16,363,352.86</b>

<b>Liabilities</b>		<b>2021</b>	<b>2020</b>
<b>Equity capital</b>			
	– Endowment	2,000,000.00	2,000,000.00
	– Reserves	9,485,163.84	9,619,643.67
	– Annual loss	–2,259,346.11	–134,479.83
		9,225,817.73	11,485,163.84
<b>Provisions</b>			
	– Other provisions	523,804.42	522,135.00
<b>Accounts payable</b>			
	– Accounts payable from deliveries and services	700,399.77	818,604.48
	– Accounts payable to the Principality of Liechtenstein	1,431,455.22	2,200,910.24
	– Other accounts payable	945,587.28	1,249,834.13
<b>Deferred items</b>		42,565.94	86,705.17
<b>Total liabilities</b>		<b>12,869,630.36</b>	<b>16,363,352.86</b>

**INCOME STATEMENT FROM 1 JANUARY TO 31 DECEMBER (IN CHF)**

	2021	Budget 2021	Budget dev.	2020
<b>Fees and taxes</b>				
Licensing fees	1,011,730.64	1,000,000.00	11,730.64	1,223,996.00
Supervisory taxes	18,140,970.40	17,100,000.00	1,040,970.40	18,072,604.21
Audit fees	49,670.35	30,000.00	19,670.35	38,511.35
Other fees	707,648.01	830,000.00	-122,351.99	880,508.66
<b>Other operating income</b>	164,665.98	40,000.00	124,665.98	13,075.00
<b>State contribution</b>	2,212,343.61	3,660,000.00	-1,447,656.39	3,655,915.11
	<b>22,287,028.99</b>	<b>22,660,000.00</b>	<b>-372,971.01</b>	<b>23,884,610.33</b>
<b>Personnel expenses</b>				
Wages and salaries	-14,745,377.64	-14,545,000.00	-200,377.64	-14,133,832.54
Social security contributions and expenses for retirement provision and related benefits	-2,669,382.88	-2,635,000.00	-34,382.88	-2,542,812.78
<i>of which for retirement provision</i>	-2,295,695.65			-2,176,139.65
Board of Directors	-595,119.78	-600,000.00	4,880.22	-619,088.23
<b>Depreciation and value adjustments</b>				
Depreciation on software	-1,357,829.30	-1,390,000.00	32,170.70	-1,200,434.37
Depreciation on IT equipment	-115,130.96	-150,000.00	34,869.04	-143,451.65
Depreciation on furnishings	-32,845.20	-45,000.00	12,154.80	-36,172.85
Depreciation on operating equipment	0.00	-10,000.00	10,000.00	-73,968.20
<b>Other operating expenses</b>				
Other personnel expenses	-157,943.87	-240,000.00	82,056.13	-267,130.55
Basic and continuing training	-328,973.62	-370,000.00	41,026.38	-258,450.70
Office expenses	-209,259.11	-230,000.00	20,740.89	-234,744.13
Travel expenses	-26,912.00	-180,000.00	153,088.00	-68,215.40
Expert fees/opinions	-429,208.85	-460,000.00	30,791.15	-613,874.03
Audit firms	0.00	0.00	0.00	-517,634.95
Reimbursements for audit firms	0.00	0.00	0.00	506,282.94
Premises	-1,951,788.29	-1,970,000.00	18,211.71	-1,969,887.80
Insurances	-78,620.50	-80,000.00	1,379.50	-78,480.90
IT costs	-1,156,616.98	-1,270,000.00	113,383.02	-1,041,965.89
Public outreach	-156,337.54	-135,000.00	-21,337.54	-117,269.91
Events and representation	-13,009.10	-30,000.00	16,990.90	-6,612.30
Membership fees for associations/institutions	-342,532.58	-320,000.00	-22,532.58	-317,119.56
Audit expenses	-49,670.35	-30,000.00	-19,670.35	-38,511.35
Other expenses	-58,814.93	-95,000.00	36,185.07	-196,347.19
Losses on accounts receivable	-41,259.39	-80,000.00	38,740.61	-21,065.73
<b>Other interest and similar expenses</b>	<b>-29,742.23</b>	<b>-25,000.00</b>	<b>-4,742.23</b>	<b>-28,302.09</b>
<b>Annual loss</b>	<b>-2,259,346.11</b>	<b>-2,230,000.00</b>	<b>-29,346.11</b>	<b>-134,479.83</b>
<b>Summarised income statement</b>				
<b>Total income</b>	<b>22,287,028.99</b>	<b>22,660,000.00</b>	<b>-372,971.01</b>	<b>23,884,610.33</b>
<i>Personnel expenses</i>	-18,009,880.30	-17,780,000.00	-229,880.30	-17,295,733.55
<i>Depreciation and value adjustment</i>	-1,505,805.46	-1,595,000.00	89,194.54	-1,454,027.07
<i>Other operating expenses</i>	-5,000,947.11	-5,490,000.00	489,052.89	-5,241,027.45
<i>Other interest and similar expenses</i>	-29,742.23	-25,000.00	-4,742.23	-28,302.09
<b>Total expenses</b>	<b>-24,546,375.10</b>	<b>-24,890,000.00</b>	<b>343,624.90</b>	<b>-24,019,090.16</b>
<b>Annual loss</b>	<b>-2,259,346.11</b>	<b>-2,230,000.00</b>	<b>-29,346.11</b>	<b>-134,479.83</b>

## NOTES ON THE FINANCIAL STATEMENT

### Financial accounting principles

According to Article 32 FMAG, the supplementary provisions for specific company forms set out in the Law on Persons and Companies (PGR) apply to the preparation of the annual report including the financial statement. The FMA uses the provisions for large companies. These provisions demand that the financial statement give a true and fair view of the assets and liabilities, financial position, and profit or loss.

### Balancing and valuation methods

Tangible assets are valued at acquisition cost reduced by depreciation. Depreciation is calculated using the straight-line method, based on the acquisition value. The depreciation policy provides for the following useful lives:

Category	Useful life
Software	3 years
IT equipment	3 years
Furnishings	5 years
Operational equipment	10 years

**Table 1**  
Useful life

Receivables are stated at nominal value, reduced by any required value adjustments. Provisions are to be calculated so as to take sufficient account of all identifiable risks in accordance with sound commercial judgement. Accounts payable are valued at their nominal value or at the repayment amount, whichever is higher.

### Foreign exchange rate

The FMA invoices only in CHF. Accounts payable in currencies other than CHF are stated at the mean spot exchange rate on the balance sheet date.

### Receivables

All receivables have a maturity of less than one year. They are stated in the balance sheet at nominal value. Value adjustments for risks identifiable on the balance sheet date are made to the extent necessary for business purposes. All value adjustments are offset directly against receivables.

## Fixed assets in CHF

The development of the individual fixed asset items is shown separately in the fixed asset schedule:

Fixed assets		Software	IT equipment	Furnishings	Operating equipment	Total
<b>Acquisition costs</b>	Balance 01.01.2021	5,165,434.03	699,211.54	978,264.35	1,731,428.55	<b>8,574,338.47</b>
	Acquisitions	1,541,827.73	70,773.90	12,103.35	0.00	<b>1,624,704.98</b>
	Divestitures	194,923.35	79,771.96	4,201.70	0.00	<b>278,897.01</b>
	Balance 31.12.2021	6,512,338.41	690,213.48	986,166.00	1,731,428.55	<b>9,920,146.44</b>
<b>Depreciation</b>	Balance 01.01.2021	3,832,628.87	521,783.10	917,122.70	1,731,426.55	<b>7,002,961.22</b>
	Acquisitions	1,357,829.30	115,130.96	32,845.20	0.00	<b>1,505,805.46</b>
	Divestitures	194,918.20	79,728.96	4,196.70	0.00	<b>278,843.86</b>
	Balance 31.12.2021	4,995,539.97	557,185.10	945,771.20	1,731,426.55	<b>8,229,922.82</b>
<b>Book value</b>	Balance 01.01.2021	1,332,805.16	177,428.44	61,141.65	2.00	<b>1,571,377.25</b>
	Balance 31.12.2021	1,516,798.44	133,028.38	40,394.80	2.00	<b>1,690,223.62</b>

**Table 2**  
Fixed asset schedule

## Provisions

Under the PGR accounting rules, all provisions are reassessed each year, justified, and adjusted where necessary. The provisions include outstanding holiday entitlements as of 31 December 2021 in the amount of CHF 523,804.

## 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 concluded in December 2010, with a rental term of 20 years. The annual rent amounts to approximately CHF 1,800,000 (including ancillary costs).

## 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 2021 fiscal year, including social security contributions, was CHF 595,120 (previous year: CHF 619,088). Of this amount, social security taxes and expenses for retirement provision and related benefits amounted to CHF 25,120 (of which CHF 20,855 for retirement provision). The Board of Directors was composed as follows in 2021:

Board of Directors	Government resolution	Term of office
Prof. Dr. Roland Mueller (Chairman)	– LNR 2016-1635 BNR 2016/1674 REG 7402.2 of 16.11.2016 – LNR 2019-1356 BNR 2019/1388 REG 7428 of 22.10.2019	01.01.2017 – 31.12.2019  01.01.2020 – 31.12.2021
Michèle Borgeaud (Vice Chair)	– LNR 2016-1635 BNR 2016/1674 REG 7402.2 of 16.11.2016	01.01.2017 – 31.12.2021
Dr. Ivo Furrer	– LNR 2016-653 BNR 2016/663 REG 7428 of 10.05.2016	01.07.2016 – 30.06.2021
Juerg Meier	– LNR 2015-1185 BNR 2015/1727 REG 7402 of 16.12.2015 – LNR 2020-1361 BNR 2020/1403 AP 022.3 of 29.09.2020	01.01.2016 – 31.12.2020  01.01.2021 – 31.12.2025
Dr. Christian Batliner	– LNR 2019-1356 BNR 2019/1388 REG 7428 of 22.10.2019	01.01.2020 – 31.12.2024
Yvonne Lang Ketterer	– LNR 2021-859 BNR 2021/937 AP 015.7 of 15.06.2021	01.07.2021 – 30.06.2026

**Table 3**  
*Board of Directors*

The remuneration of the Members of the Board of Directors is based on the Government decision of 31 January 2017 (LNR 2017-135 BNR 2017/101 REG 0314). The Government specified the following remuneration:

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

### b) Executive Board

The gross remuneration of the Members of the Executive Board in the 2021 fiscal year was CHF 1,963,838 (previous year: CHF 1,905,468) 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 2021:

- Mario Gassner, Chief Executive Officer
- Dr. Alexander Imhof, Deputy of the CEO and Head of Insurance and Pension Funds Division

- DDr. Marcel Loetscher, Head of Securities and Markets Division
- Markus Meier, Head of Banking Division
- Werner Meyer, Head of Anti-Money Laundering and DNFBP Division
- Martin Schaedler, Head of Central Services

### Workforce

In 2021, the average workforce at the FMA was 116 (previous year: 112). As of the end of December, the FMA employed 120 people (114). Nine were employed on a temporary basis. The share of women was 44% (45%). 33 employees worked part-time (24). Seven employees left the FMA during the reporting year (4), and ten new employees joined the FMA (8).

In total, 100.5 full-time positions (98.3) and seven temporary full-time positions (5.8) were filled as of the end of 2021. The staffing plan approved by the Board of Directors provided for 101 full-time positions (101) and seven temporary full-time positions as of the end of 2021 (5.8).

## ATTESTATION OF THE AUDIT OFFICE



FINANZKONTROLLE  
FÜRSTENTUM LIECHTENSTEIN

Testat der Finanzkontrolle an die Regierung des Fürstentums Liechtenstein betreffend  
Prüfung der Jahresrechnung der

### **Finanzmarktaufsicht (FMA) Liechtenstein**

#### **Bericht der Finanzkontrolle zur Jahresrechnung**

Wir haben die Buchführung sowie die Jahresrechnung (bestehend aus Bilanz, Erfolgsrechnung und Anhang) der Finanzmarktaufsicht (FMA) Liechtenstein für das am 31. Dezember 2021 abgeschlossene Geschäftsjahr geprüft.

Nach unserer Beurteilung vermittelt die Jahresrechnung (Seiten 85 bis 90) ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens- und Finanzlage der Finanzmarktaufsicht (FMA) Liechtenstein zum 31. Dezember 2021 sowie deren Aufwands- und Ertragslage für das dann endende Jahr in Übereinstimmung mit dem liechtensteinischen Gesetz.

#### **Grundlage für das Prüfungsurteil**

Basierend auf dem Finanzkontrollgesetz haben wir unsere Prüfung gemäss liechtensteinischem Gesetz und nach den Grundsätzen des Berufsstandes durchgeführt.

In Übereinstimmung mit den Anforderungen des Berufsstandes sind wir von der Finanzmarktaufsicht (FMA) Liechtenstein unabhängig.

Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als eine Grundlage für unser Prüfungsurteil zu dienen.

#### **Verantwortlichkeiten des Aufsichtsrates des Finanzmarktaufsicht (FMA) Liechtenstein**

Der Aufsichtsrat ist verantwortlich für die Aufstellung einer Jahresrechnung in Übereinstimmung mit den allgemeinen und spezialgesetzlichen Vorschriften, für die Einhaltung der Vorgaben des Eigners und für die internen Kontrollen, die der Aufsichtsrat als notwendig erachtet, um die Aufstellung einer Jahresrechnung zu ermöglichen, die frei von – beabsichtigten oder unbeabsichtigten – wesentlichen falschen Darstellungen ist.

Bei der Aufstellung der Jahresrechnung ist der Aufsichtsrat dafür verantwortlich, die Fähigkeit der Finanzmarktaufsicht (FMA) Liechtenstein zur Fortführung der Geschäftstätigkeit zu beurteilen und Sachverhalte in diesem Zusammenhang transparent darzulegen.

Weiter ist der Aufsichtsrat für die im Geschäftsbericht enthaltenen zusätzlichen Informationen verantwortlich.

#### **Verantwortlichkeiten der Finanzkontrolle für die Prüfung der Jahresrechnung**

Unsere Ziele sind, hinreichende Sicherheit darüber zu erlangen, ob die Jahresrechnung als Ganzes frei von – beabsichtigten oder unbeabsichtigten – wesentlichen falschen Darstellungen ist und einen Bericht abzugeben, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Mass an Sicherheit, aber keine Garantie dafür, dass – basierend auf dem Finanzkontrollgesetz und in Übereinstimmung mit dem liechtensteinischen Gesetz sowie den Grundsätzen des Berufsstandes – die durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Beabsichtigte oder unbeabsichtigte falsche Darstellungen werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieser Jahresrechnung getroffenen wirtschaftlichen Entscheidungen beeinflussen.

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Wir identifizieren und beurteilen die wesentlichen Risiken – beabsichtigter oder unbeabsichtigter – falscher Darstellungen in der Jahresrechnung, planen und führen Prüfungshandlungen als Reaktion auf diese Risiken durch sowie erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Dabei üben wir – basierend auf dem Finanzkontrollgesetz und in Übereinstimmung mit dem liechtensteinischen Gesetz sowie den Grundsätzen des Berufsstandes – während der gesamten Prüfung pflichtgemässes Ermessen aus und bewahren eine kritische Grundhaltung.

Wir erlangen ein Verständnis von dem für die Abschlussprüfung relevanten Internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind.

Wir beurteilen die Angemessenheit der angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängenden Angaben. Weiter beurteilen wir die Darstellung, den Aufbau und den Inhalt der Jahresrechnung einschliesslich der Angaben im Anhang sowie, ob die Jahresrechnung die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, sodass eine sachgerechte Darstellung erreicht wird.

Unser Prüfungsurteil zur Jahresrechnung erstreckt sich nicht auf die zusätzlichen Informationen im Geschäftsbericht, und wir bringen keinerlei Prüfungsschlussfolgerung hierzu zum Ausdruck.

Wir kommunizieren mit dem Prüfungsausschuss des Aufsichtsrats unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Prüfung sowie über bedeutsame Prüfungsfeststellungen, einschliesslich etwaiger bedeutsamer Mängel im Internen Kontrollsystem, die wir während unserer Prüfung identifizieren.

#### Weitere Bestätigungen

Der beigelegte Jahresbericht ist nach den geltenden rechtlichen Anforderungen aufgestellt worden, steht im Einklang mit der Jahresrechnung und enthält gemäss unserer Beurteilung – auf Basis der durch die Prüfung der Jahresrechnung gewonnenen Erkenntnisse, des gewonnenen Verständnisses über die Finanzmarktaufsicht (FMA) Liechtenstein und deren Umfeld – keine wesentlichen fehlerhaften Angaben.

Ferner bestätigen wir, dass die Jahresrechnung dem liechtensteinischen Gesetz, dem Gesetz über die Finanzmarktaufsicht (FMAG) und den Statuten entspricht und empfehlen, die vorliegende Jahresrechnung zu genehmigen.

#### FINANZKONTROLLE des Fürstentums Liechtenstein



Cornelia Lang  
Leiterin



Fredy Baschleben  
Mandatsleiter

Vaduz, 23. März 2022



# OUR CORE PRINCIPLES

*"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."*

This is the preamble of our core principles and at the same time the mandate entrusted to us by the Principality of Liechtenstein.

The core principles set out the self-conception, values, and basic principles with which we strive to fulfil this important responsibility for the benefit of the State and the Liechtenstein financial centre.

- SUPERVISION
- REGULATION
- EXTERNAL RELATIONS

- ENTERPRISE
- TEAM

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***Publisher and Editor***

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