



**FMA**

Finanzmarktaufsicht  
Liechtenstein



# Priorities of supervision in 2021

22 December 2020

## **Priorities of supervision in 2021**

The FMA is Liechtenstein's independent financial market supervisory authority, ensuring the stability and credibility of the financial market, the protection of clients, and the prevention and combating of abuses. For the purpose of an effective and efficient use of resources, in particular within the framework of risk-oriented supervision, as well as transparency vis-à-vis financial service providers, each year the FMA defines the priorities of its supervision. The audit priorities relate to the activities of the FMA in 2021.

### **1. Combating money laundering**

The FMA continues to intensify its own inspections to ensure compliance with the rules established to combat money laundering and terrorist financing. The inspection activities follow a strictly risk-based approach.

Due diligence inspections carried out by mandated auditors will continue to focus on (1) risk assessment, (2) appropriateness of the business profiles (in particular origin of the contributed assets and total assets (source of funds and source of wealth) as well as documentation on effective contributors of the assets), and (3) identification and verification of the beneficial owners. At banks, the mandated SPG audits will focus on compliance with financial sanctions under the International Sanctions Act (ISG) and in regard to reports of suspicion.

In addition to the audit areas mentioned above, the FMA's own inspections will focus on additional topics identified as vulnerabilities in National Risk Assessment II and defined as a priority for action in the Government's action plan. In particular, these topics include the product and service risks associated with shell companies, transaction banking, service companies, sole signing authority, cash transactions, and terrorist financing.

### **2. Impact of COVID-19 crisis**

The COVID-19 crisis is one of the greatest challenges for the economy and society – including for financial service providers. The financial sector is directly and indirectly confronted with the impact of the pandemic at various levels. The FMA will focus on asset quality, the impact of the persistently low interest rate environment, and liquidity risks.

### **3. EMIR**

Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) has been applicable in Liechtenstein since mid-2018. Its purpose is to reduce the risks associated with over-the-counter derivatives trading. EMIR ensures transparency and strengthens the stability of the financial system. For this purpose, the Regulation sets out clearing, reporting, and risk mitigation obligations for OTC derivative contracts. The FMA carries out focused audit procedures to ensure compliance with EMIR obligations. The emphasis is on compliance with the reporting obligations of financial intermediaries covered by EMIR.

### **4. Data quality**

The improvement of data quality for the various reporting systems is a key concern of the FMA and the European Supervisory Authorities. High data quality as a basis for corporate governance is also in the interest of financial intermediaries. Accurate, reliable, and timely data are a key component of data-driven supervisory approaches and the early detection of risks. Data is needed to recognise market abuse, identify rule violations, perform transparency calculations, and identify systemic and counterparty risks accumulating in the legal systems.

#### **5. External auditors – quality controls**

External auditors are an element of Liechtenstein's supervisory architecture in the financial market. High demands are placed on external auditors with respect to independence, professional scepticism and due care, as well as compliance with recognised audit standards and guidelines. The FMA considers smooth cooperation with external auditors to be the backbone of effective and efficient supervision. In order to maintain confidence in the high quality of the external auditors' work, the FMA conducts quality controls.

#### **6. Priorities of the European Supervisory Authorities**

Supplementing its own supervisory priorities, the FMA will take into account the supervisory priorities of the European Supervisory Authorities relating to securities and market supervision (ESMA), insurance supervision (EIOPA), and banking supervision (EBA). For example, supervisory requirements relating to fund costs, digitalisation, ESG risks, and cyber risks are envisaged. The FMA will carefully consider whether the Liechtenstein financial centre is affected by the supervisory objectives and whether supervisory activities can be carried out in a manner appropriate to its size.

22.12.2020/FMA/GL