

Press release

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Strong financial centre during the pandemic

- **Today at its annual media conference, the Financial Market Authority (FMA) Liechtenstein issued its Annual Report and its Liechtenstein Financial Centre publication.**
- **Despite the pandemic, the Liechtenstein financial centre recorded good results in 2020 and remains on a growth path; the financial sector was an important pillar for the real economy.**
- **Thanks to its high level of digital maturity, the FMA was able to perform its supervisory activities without restrictions even during the pandemic.**
- **With the Covid-19 pandemic, the challenges and risks for the financial sector have increased. This demands a high level of vigilance on the part of the FMA.**

The Covid-19 pandemic was the defining event of 2020 for the financial sector and the Financial Market Authority (FMA) Liechtenstein. Despite extraordinary conditions and turbulence in the financial markets, the financial sector was fully functional and stable. It provided indispensable services for the real economy and the public, such as payment services, lending, and insurance. Thanks to its high level of digital maturity, the FMA was able to fully maintain its business operations during the pandemic and implement necessary supervisory measures in a timely manner. With its decentralised operations, the FMA also ensured the protection of its employees.

The Covid-19 pandemic presented the FMA with the challenge of performing its statutory mandate flexibly within the framework of the regulatory requirements and for the benefit of the overall economy. The FMA's focus was on monitoring the continuation of business operations of financial intermediaries and on controlling financial risks. The financial institutions were called upon to make use of their regulatory leeway and to provide the real economy with lending in order to prevent a credit crunch. To ease the operational burden on financial intermediaries, the FMA implemented a range of temporary facilitations in coordination with the European supervisory authorities, such as relating to on-site inspections and certain reporting obligations. To ensure ongoing assessment of the financial and risk situation, the FMA in turn also introduced supplemental reporting obligations in coordination with the European supervisory authorities.

The financial centre on a growth path

The assets under management of the Liechtenstein banks, including foreign group companies, rose by 4.5% to CHF 365.4 billion in 2020. The core Tier 1 capital ratio (CET1) of the entire banking sector increased from 20.0% to 21.7%. Capitalisation is significantly above the EU average. Earnings before tax for the banking sector was CHF 543.4 million compared with CHF 639.5 million in the previous year. The fund volume at the end of 2020 was CHF 59.1 billion (2019: CHF 58.8 billion). Assets under management at asset management companies increased by about 6% to CHF 53 billion in 2020. Total premium income of insurance undertakings was CHF 5.54 billion in 2020, the same as in the previous year.

Risks to financial stability demand high level of vigilance

Despite the negative impact of the pandemic on national economies, the FMA considers the risks to financial stability to be limited. However, a possible increase in credit defaults, the high valuation on the equity markets,

the low interest rate environment, inflation risks, and the uncertain development of national economies require a high level of vigilance to safeguard financial stability. The Liechtenstein financial sector benefits from high capital and liquidity buffers, which not only increase its loss absorption capacity in a crisis, but also strengthen the confidence of clients and markets in the financial centre.

Several proceedings for violations of the Due Diligence Act

As of the end of 2020, the FMA was conducting 28 administrative proceedings and 18 administrative criminal proceedings. In 2020, 139 proceedings and preliminary investigations were concluded. Various proceedings and preliminary investigations were carried out against financial intermediaries for violations of due diligence obligations to combat money laundering. Other subjects of proceedings included violations of shareholder guarantee requirements, reporting obligations, minimum liquidity ratios, and requirements on boards of directors as well as suspicion of insider dealing. The FMA imposed five legally binding fines amounting to CHF 939 000 for violations of the Due Diligence Act. In total, the FMA imposed 18 legally binding fines amounting to CHF 1 035 500. The penalties are published on the FMA website. The fines levied by the FMA flow into the national treasury.

Focus of supervision on prevention of money laundering

Auditing compliance with anti-money laundering requirements continues to be a focus of supervision in 2021. Inspection activities follow a strictly risk-based approach: the higher the classification of a financial intermediary with respect to possible threats, the more intensive the supervision. In April 2019, the FMA consolidated its money laundering prevention activities within a single organisational unit and increased staffing. Liechtenstein's defence measures against money laundering will be assessed by MONEYVAL in September 2021.

First registrations of TT service providers

The Token and TT Service Provider Act (TVTG) entered into force at the beginning of 2020. By the end of 2020, 10 undertakings for 24 services were registered under the TVTG. The FMA is responsible for registering TT service providers and for event-driven supervision. The TVTG defines the legal requirements for offering services on TT systems. TT systems are transaction systems based on trustworthy technologies, making a wide range of economic services possible. Blockchains are the best-known example.

In accordance with its legislative mandate, the Financial Market Authority (FMA) Liechtenstein ensures the stability of the Liechtenstein financial market, the protection of clients, the prevention of abuses, and the implementation of and compliance with recognised international standards.

As an integrated and independent supervisory authority, the FMA supervises the financial market participants in the Liechtenstein financial centre. The FMA ensures the implementation of international standards and participates in the preparation of financial market laws on behalf of the Government. The FMA is represented in all relevant supervisory organisations at the European and global level.

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