FMA

Finanzmarktaufsicht
Liechtenstein

Press release

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FMA presents report on the stability of the Liechtenstein financial sector

The FMA has presented its Financial Stability Report 2018 on the stability of the financial sector. The report concludes that Liechtenstein's financial sector is stable.

A stable financial sector is a necessary prerequisite for the efficient allocation of resources in a national economy, for effective risk management in the financial sector, and for the ability to absorb financial shocks. The financial crisis has shown that, in order to ensure financial market stability, microprudential supervision – which focuses on the stability of individual institutions – must be supplemented by macroprudential supervision. In the absence of a central bank, which is primarily responsible for systemic stability in other countries, the FMA is responsible for the stability of the financial sector in Liechtenstein.

In recent years, Liechtenstein has established a balanced system to ensure financial stability. With the implementation of the CRD IV package in February 2015, standardised European instruments have been made available for the design of macroprudential policies. With the Recovery and Resolution Act, a uniform mechanism entered into force at the beginning of 2017 to ensure efficient and effective crisis management at banks and investment firms. In addition, the FMA and the Liechtenstein Government are represented on the European Systemic Risk Board (ESRB). This has further strengthened Liechtenstein's international integration and macroprudential supervision.

The Financial Stability Report is a further building block of macroprudential supervision, contributing to the international recognition, stability, and hence the success of the financial centre. The report concludes that Liechtenstein's financial sector is stable. While the financial sector is very large relative to economic output, a comparatively conservative business model, a stable shareholder structure, a high level of capitalisation, and strong liquidity and profitability indicators reduce the associated risks and contribute to a positive outlook for the financial sector. Nevertheless, the risks identified – such as the relatively high level of household debt compared with other countries – must be monitored continuously and addressed using appropriate instruments.

Appropriate measures are being proposed to ensure long-term stability. As a small and open economy, implementation of and compliance with all relevant international and European regulatory standards in the financial market sector are essential to ensure Liechtenstein's international integration and recognition. Beyond this, the FMA will continue to concentrate on crisis prevention measures. To reduce both the probability and the costs of a crisis, it is indispensable for Liechtenstein to strengthen macroprudential supervision and further develop bank resolution instruments.

FMA

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