

## **OWNER'S STRATEGY for the FMA – Financial Market Authority Liechtenstein**

### **1. Fundamentals**

This owner's strategy is enacted by the Government based on article 16 of the Law on the Control and Oversight of Public Enterprises of 19 November 2009.

The Financial Market Authority (FMA) Liechtenstein exists to carry out supervision of the financial market.

Liechtenstein's interests in connection with the financial market are represented and protected by the Government. In this regard, the Government respects the independence of the FMA in the performance of its duties and recognizes the freedom of decision of the Board of Directors in regard to ultimate oversight of the FMA.

Protecting the owner's interests is institutionally separate from the regulatory tasks.

Apart from defining the owner's strategy, the Government has ultimate oversight of the FMA. The Government is responsible for the following in particular:

- election of the Board of Directors;
- discharge of the Board of Directors;
- defining the remuneration for members of the Board of Directors;
- approval of the annual budget, annual report, and annual accounts;
- election of the auditors.

### **2. Purpose of the owner's strategy**

The owner's strategy establishes clear guidelines for defining the FMA's strategy. Within these guidelines, in particular the core principles of the FMA must be defined.

The Government undertakes to deviate from the specifications set out in the owner's strategy only after careful review, where necessary, and in consultation with the Board of Directors.

The specifications of the owner's strategy must be followed by the Board of Directors and the Executive Board when performing their duties. Deviations are possible only where necessary and in consultation with the Government.

The owner's strategy is intended to offer clarity and reliability in regard to the FMA's orientation both for employees and for stakeholder groups of the supervisory authority.

### **3. Goals of the Government**

#### **3.1. Political goals**

The Government expects the FMA to contribute to preserving and promoting the attractiveness and credibility of Liechtenstein as a financial market location. The FMA must be politically neutral in its actions and statements in this regard.

The FMA must enforce international supervisory standards effectively, enhance international recognition through efficient networking, and consolidate its acceptance in the international financial sector for the long term.

The Government expects to receive bases for decision-making on issues relating to financial market strategy, especially in the areas of stability, abuse, and reputation, and that it will be informed in a timely manner of important developments.

#### **3.2. Entrepreneurial goals**

The FMA is independent in the performance of its supervisory function and not bound by any instructions.

The Government recognizes that the governing bodies of the FMA exercise sovereign functions and accordingly are subject to the rules of official liability. Nevertheless, an appropriate liability insurance for governing bodies is to be concluded for the Board of Directors and the Executive Board in order to ensure their independence in the performance of their functions.

The FMA maintains a comprehensive risk management, and special attention must be paid in this regard to possible liability issues.

The Government expects the FMA to engage in systematic exchange especially with the business associations, specifically when designing the regulatory framework conditions.

The Government expects the FMA to participate closely in regulatory projects and to play an active role. A performance agreement is concluded between the Government and the FMA in this respect, describing especially the various types of regulatory cooperation, the relevant responsibilities and competences, the interfaces and demarcations of responsibility in relation to the Ministries of General Government Affairs, Finance, and Justice as well as to the Financial Intelligence Unit and the Office for International Financial Affairs, the decision-making processes, contact with the business associations, and the use of resources. The FMA informs the Ministry of Finance once a year on the work arising from regulatory activities.

### **3.3. Economic goals**

Fees and supervision taxes as well as the annual State contribution are made available to the FMA.

The Government expects the FMA to deal in a cost-conscious manner with the resources at its disposal.

The FMA must set aside reserves within the scope of the law to handle special investigations and expenses.

The Government expects the FMA's infrastructure (including IT) to be guided as closely as possible by the circumstances in the National Public Administration. For this purpose, a performance agreement must be concluded, describing in particular also those services to be provided free of charge by the State.

### **3.4. Social goals**

When defining and implementing their strategy, the governing bodies of the FMA must exercise social responsibility toward employees and stakeholder groups in an appropriate way.

The Government expects the FMA to interact respectfully with clients and other stakeholder groups at all times when performing its duties.

The FMA must promote basic and continuing training on topics relevant to the financial markets.

## **4. Specifications by the Government for implementing the goals**

### **4.1. Specifications governing activity**

The governing bodies of the FMA must permanently ensure an effective, efficient, and future-oriented supervision of the Liechtenstein financial centre.

For this purpose, the FMA is guided by international specifications and standards and implements them for the protection and promotion of the financial centre.

The FMA must systematically maintain contact and information exchange with the authorities and other conversation partners in Liechtenstein and abroad within the scope specified by law.

Contacts with the business associations in the financial sector must be periodic.

On the basis of its activity, the FMA must evaluate in concrete terms which orientation of the financial centre, which business models, and which tasks may be necessary or useful for promoting the Liechtenstein national economy and enhancing reputation.

#### **4.2. Specifications governing finances and risk management**

The FMA must undertake the legally permissible formation of reserves in the amount of up to 50% of the average budget of the last three years and present those reserves to the Government for approval as part of the annual financial statement.

Where financial obligations of strategic importance are contracted, the Government must be informed in advance.

The FMA must build up and operate an appropriate but comprehensive risk management. As a component of risk management, an internal control system (ICS) must be maintained.

#### **4.3. Specifications governing the organizational structure**

The FMA must select an organizational structure so that supervision of the financial sector can be performed efficiently at all times.

The organization must be designed in such a way that sufficient expertise is available at all times to undertake a legal evaluation and systematic processing of macroeconomic issues in particular.

The FMA guarantees implementation of the Government's zero tolerance policy in regard to money laundering.

#### **4.4. Specifications governing international cooperation**

The FMA must harmonize its strategy for international cooperation with the Government.

The FMA ensures that especially memoranda of understanding and agreements with partner authorities abroad are in accordance with the Government's financial centre strategy.

A uniform, systematic, and targeted approach in dealing with international organizations and in representing Liechtenstein in such organizations must be ensured.

#### **4.5. Specifications governing communication**

The FMA ensures transparent, current, and factual communication committed to its activities and based on the newest standards of communication technology.

In particular, specialized communication with the financial sector must be efficient and by modern means of communication.

#### **4.6. Specifications for advising and cooperating with the Government**

The FMA must ensure advice to the Government on issues relating to financial market strategy and cooperate systematically in this regard with other domestic authorities entrusted with topics relevant to the financial centre.

The Government may assign special tasks to the FMA to deal with concrete areas relating to financial market strategy.

The Chairman of the Board of Directors informs the Prime Minister on important developments and occurrences in personal talks.

The Board of Directors in corpore engages in an annual exchange of information with the Government on the FMA's strategic orientation.

The Board of Directors must present implementation of the owner's strategy each year as part of the annual report.

## **5. Final provisions**

### **5.1. Deviations and exceptions**

Deviations from this owner's strategy may be made only in justified cases and where necessary. If the Board of Directors desires a deviation, the written consent of the Government must be obtained.

### **5.2. Amendments and supplements**

The owner's strategy must be reviewed by the Government periodically for completeness and currentness.

If the Board of Directors believes a provision of the owner's strategy is unclear, not useful, or not implementable, it must propose appropriate amendments or supplements to the Government without being requested to do so.

### **5.3. Entry into force**

The Government enacted this owner's strategy with Government Decision RA 2011/400 of 22 February 2011 and provided it to the Board of Directors for its attention and immediate implementation.

Vaduz, 22 February 2011

On behalf of the Liechtenstein Government:

[signed]

Dr. Klaus Tschüscher  
Prime Minister