FMA

Finanzmarktaufsicht
Liechtenstein

Press release

Date	3 May 2012
Place	Vaduz

Stable Liechtenstein financial centre dealing with great challenges

The difficult international market environment influenced the development of the Liechtenstein financial sector in 2011. The banks recorded new assets, but the earnings situation worsened considerably. Compared with other countries, banks and insurances in Liechtenstein are highly capitalized and stable. The strategic focus of the FMA Liechtenstein is to ensure stability, strengthen reputation, and secure international market access for Liechtenstein financial market participants.

At the end of 2011, Liechtenstein banks and their foreign group companies managed client assets in the amount of CHF 166 billion. This corresponds to a decrease of 1.3% since the previous year. The decrease is due especially to the strength of the Swiss franc. Net new assets in 2011 were CHF 7.1 billion. The result of normal business activity was CHF 122.2 million. Compared with the previous year, this represents a decrease of about 62%. The consolidated core capital ratio (Tier 1 ratio) across all banks at the end of 2011 was 17.2%.

The insurance sector received premiums in the amount of CHF 4.9 billion in 2011, CHF 4.3 billion of which were for life insurances. The decrease in premium income of 49% since the previous year was due in part to the expiry of the Italian tax amnesty. But also internationally, single premium products have decreased. Capital invested on behalf of insurance clients was CHF 29.1 billion at the end of 2011. At the end of 2011, asset management companies managed client assets in the amount of CHF 21.8 billion, CHF 16 billion of which are invested with Liechtenstein banks. The number of investment undertakings (funds) rose by 66 since the previous year to 535. Net assets under management fell by 6.1% in 2011 to CHF 35.4 billion, due to the strong Swiss franc and the market environment.

Because of low interest rates, stagnating yet volatile investment markets, and the strong franc, the market environment in 2011 was extraordinarily difficult, so that earnings and the cost/income ratio developed negatively. The short- and medium-term earnings and growth outlook of the financial sector remains subdued, since persistently difficult market conditions and increasing regulatory and administrative costs must be assumed. The Liechtenstein financial sector is entering this phase with a comfortable risk-bearing capacity. The equity ratios and liquidity buffers are far above international standards.

The transformation of the financial centre is irreversible and offers opportunities

At the annual media conference of the FMA Liechtenstein, Chairman of the Board of Directors Dr. Urs Philipp Roth-Cuony said that the transformation process of the Liechtenstein financial centre is irreversible. The pressure for stronger tax cooperation will increase further, and new business must therefore be tax-compliant. Transnational solutions to regularize untaxed client assets are also urgent. Urs Philipp Roth-Cuony cited the comfortable equity situation of the banks. It will be necessary to strengthen earning power, however, and this must be achieved predominantly by managing the cost side, in light of the currently difficult market environment.

Urs Philipp Roth-Cuony said the transformation process makes high demands on policymakers, the Government, authorities, associations and financial market participants. These challenges must be met together, he said. *"Market access to EEA countries is an especially great opportunity for the future of the Liechtenstein financial centre. Rapid, rigorous and market-based implementation of strategic EU regulations creates competitive advantages in sectors where the markets are still developing. Players must work together closely and constructively, with a view to the big picture. Liechtenstein can prove itself with a successful financial centre strategy."*

Given this environment, the FMA Liechtenstein's strategic focus is on ensuring financial centre stability, strengthening reputation, and securing access of Liechtenstein financial intermediaries to the international markets and foreign clients. The FMA is well positioned for this purpose. It is represented in all European financial market supervisory bodies and important international organizations, and it is recognized by foreign authorities as an equivalent body.

FMA attaches great importance to risks arising from cross-border business

The FMA issued its Annual Report 2011 at the media conference. In the field of supervision, the authority focused on expanding consolidated supervision of internationally operating financial institutions as well as the legal and reputation risks of cross-border business. For this purpose, the FMA conducts an intensive dialogue with the banks and insurances and carries out measures within its scope of responsibility. New rules governing administrative assistance entered into force on 1 January 2011. Thanks to the new procedure, the processing time has been cut in half. The FMA believes the granting of administrative assistance is very significant for the reputation of the financial centre.

In the reporting year, the FMA participated in numerous regulatory projects. The new fund law entered into force on 1 August 2011. The licencing and supervision processes have been adjusted accordingly. Work also began in the reporting year on implementation of the Directive on Alternative Investment Fund Managers. A further focus of regulatory work is implementation of the Solvency II Directive in the insurance sector. For the attention of the Government, the FMA also worked together with the Association of Professional Trustees on a draft law for improved supervision of professional trustees.

The FMA Liechtenstein was accepted as a full member of the International Organization of Securities Commissions (IOSCI) in the 2011 reporting year. It was also invited by the European Securities and Markets Authority (ESMA) to participate as an observer on the Board of Supervisors, the committees, and in the working groups. The FMA is thus represented in all European financial market supervisory bodies and important international organizations dealing with supervision questions. This international integration is a precondition for recognition of equivalence by foreign supervisory authorities and constitutes an important step in securing international market access.

The FMA is the independent financial market supervisory authority of Liechtenstein. It ensures the stability and credibility of the financial market, the protection of clients, and the prevention and suppression of abuses.

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