FMA

Financial Market Authority
Liechtenstein

Press release

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Inflow of new money in a difficult market environment

Once again in 2014, the financial centre was able to attract new money. The difficult market environment and the increasing regulatory demands are diminishing profitability, however. With the strong Swiss franc, historically low interest rates, and persistent regulatory pressure, financial market participants continue to face great challenges. The risks for international financial stability and the economy are still high.

At the end of 2014, Liechtenstein banks (including their foreign group companies) managed client assets in the amount of CHF 216 billion – a new record. Net new money was CHF 16.1 billion. Of this, CHF 10.3 billion are attributable to the foreign group companies. But also the banks in Liechtenstein themselves recorded net new money of CHF 5.8 billion. There are major differences in the inflow of new money among the individual banks. Earnings before tax in the banking sector were CHF 224 million compared with CHF 265 million in the previous year. The difficult market environment with low or even negative interest rates and rising regulatory pressure had a negative impact on the income situation.

The insurance sector collected CHF 3.5 billion in premiums in 2014. Non-life insurance broke through the billion franc mark for the first time, with CHF 1.1 billion in premium income. The capital invested for the account and at the risk of policyholders in fund-linked and unit-linked life insurance was CHF 26.5 billion. In the fund sector, net assets under management at the end of 2014 were CHF 46.2 billion. The strong increase by 20% is mainly due to the transfer of a fund company from a foreign location to Liechtenstein. Asset management companies increased their assets under management by 5% to CHF 31.4 billion. Of that amount, CHF 22.2 billion was invested at Liechtenstein banks.

The challenges for Liechtenstein's financial intermediaries are not diminishing. The difficult market environment with historically low interest rates and increasing regulatory demands continues to put the income of market participants under pressure and is strengthening consolidation trends. The Swiss National Bank's abandonment of the minimum exchange rate of the Swiss franc to the euro in January 2015 and the negative interest rates represent an additional burden on financial market participants.

Risks for international financial stability and the economy
The risks for international financial stability and the economy continue to be high. Risks arise from the central banks' expansive monetary policy, for example. An increasing decoupling of the moderate growth of the real economy on the one hand and the stronger increase in the securities markets on the other hand can be seen. The low market interest rates are encouraging investors to put their money in riskier investments and thus to assume higher risks. There is also a risk that the European debt crisis will worsen again.

Ensuring financial stability

Even during the global financial crisis, the Liechtenstein financial centre proved itself to be reliable and stable. Against the backdrop of this performance, the Basel III requirements were implemented into Liechtenstein national law last year in the form of the European Union's CRD IV package to strengthen financial stability. The new banking legislation entered into force on 1 February 2015.

With the implementation of the EU directive on the recovery and resolution of financial institutions into Liechtenstein law, a further regulatory project is underway in the overall context of ensuring stability and client protection in the banking sector. The directive creates a uniform framework throughout Europe for managing crises in the form of restructuring and regular dissolution of banks and investment firms. In Liechtenstein, implementation is planned by mid-2016.

The European insurance sector is also to be made more resistant to crises and more secure. With the new European capital adequacy and supervisory system Solvency II, the equity capital system for European insurance undertakings is being adjusted to the requirements of a changed risk environment. The new insurance supervision legislation will enter into force at the beginning of 2016.

10-year anniversary of the Financial Market Authority Liechtenstein

The FMA celebrated its 10th anniversary on 1 January 2015. After the Liechtenstein Parliament adopted the Financial Market Authority Act in 2004, the FMA began operations on 1 January 2005. With the creation of the FMA, Liechtenstein followed international developments and thus took an important step for the international integration of the financial centre. Liechtenstein has an internationally recognized Financial Market Authority that is represented in all relevant supervisory organizations at the European and global level.

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 recognized 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 organizations at the European and global level.

For additional information please contact:
Beat Krieger
FMA – Financial Market Authority Liechtenstein
Telephone +423 236 71 24
beat.krieger@fma-li.li