

Press release

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Financial sector still on growth path despite challenging environment

- **Today at its annual media conference, the Financial Market Authority (FMA) Liechtenstein issued its Annual Report and its Liechtenstein Financial Centre publication.**
- **In the second year of the pandemic, the Liechtenstein financial centre reported good results and continued on its growth path. The war in Ukraine and the economic situation continue to pose challenges for the financial centre, however.**
- **Overall, financial market participants responded quickly and properly to the consequences of the war in Ukraine.**
- **Sustainability and cybersecurity are important strategic issues for the future of the financial centre.**

Today at its annual media conference, the FMA published its Annual Report 2021 and its Liechtenstein Financial Centre brochure. Dr. Christian Batliner, Chairman of the Board of Directors of the FMA, emphasised at the media conference that the FMA and indeed the entire financial centre are currently dealing intensively with the consequences of the war in Ukraine. CEO Mario Gassner explained that the FMA is examining whether the measures taken by financial service providers are adequate to control the risks resulting from the war in Ukraine, to implement sanctions provisions, and to counter any side effects such as cyberattacks. The FMA's responsibilities also include safeguarding the stability of the financial centre.

The FMA has found that financial intermediaries responded quickly and properly to the crisis. Overall, market participants have addressed the risks effectively. The Liechtenstein financial centre has a low risk exposure to Russian counterparties, investments, and business relationships. Nevertheless, the FMA is closely accompanying and monitoring individual financial service providers with a significant nexus to Russia. Overall, the financial centre is stable and well prepared for the future.

Strong financial centre on a growth path

The assets under management of the Liechtenstein banks, including foreign group companies, increased by 16.1% to CHF 424.4 billion in 2021, a new record. The common equity tier 1 (CET1) ratio of the banking sector remained stable at 21.74%. Capitalisation of the Liechtenstein banks is significantly above the EU average. Earnings before tax for the banking sector amounted to CHF 671.7 million, an increase of 23.6% over the previous year. The fund sector and asset management companies also recorded growth. The fund volume increased by 19% year-on-year, reaching CHF 70.3 billion at the end of 2021. At the end of 2021, 812 Liechtenstein single funds and subfunds were licensed, 49 more than in the previous year. Assets under management at asset management companies increased from CHF 53.0 billion to CHF 59.5 billion in 2021 (+12.3%). In the insurance sector, non-life insurance recorded growth of 14.2% with premium income of CHF 3.63 billion. The income of life insurance undertakings was CHF 1.90 billion, a decrease of 16.7% from the previous year.

Numerous anti-money laundering proceedings

As of the end of 2021, the FMA was conducting 39 administrative proceedings, 22 administrative criminal proceedings, and 21 preliminary investigations. 121 proceedings and preliminary investigations were concluded in 2021. The subjects of the proceedings included capital adequacy requirements, risk management, market manipulation, organisational requirements, governance, and licensing conditions. As in the previous year, a relatively large number of proceedings and preliminary investigations were conducted due to violations or potential violations of the Due Diligence Act (SPG) to combat money laundering. In 2021, the FMA imposed 26 legally binding fines in the amount of CHF 504,500 for violations of the SPG and a total of 37 legally binding fines in the amount of CHF 746,000. The penalties are published on the FMA's website, and the fines levied by the FMA are transferred to the National Treasury.

Enforcement has become an increasingly important component of supervisory activities over the past years. After the financial crisis, the financial sector faced a massive wave of regulation; at the same time, the supervisory authorities themselves and their powers in the enforcement of supervisory law were strengthened. In 2021, the Board of Directors adopted principles for the FMA's enforcement activities. These principles spell out the FMA's understanding of the enforcement of supervisory law. In this way, the FMA creates transparency vis-à-vis market participants and the public.

Sustainability and cybersecurity are important topics for the future

Sustainability and cybersecurity are important strategic topics for the financial centre. The FMA is prioritising them accordingly and strives to provide support to financial market participants. For this purpose, it issued a guideline in 2021 defining clear requirements in line with international standards that financial market participants must meet to ensure cybersecurity. The aim is to minimise the risk of security incidents.

The FMA also offers guidance on sustainability and has issued a fact sheet on the integration of sustainability criteria into business activities. The financial sector can make a crucial contribution to achieving international sustainability targets, for example by offering sustainable investments. One of the FMA's priorities is to prevent greenwashing, i.e. the false pretence of environmental responsibility. The focus is currently on environmental and climate risks – but sustainability also includes responsible corporate governance and social aspects such as fair working conditions and respect for human rights. A swift and active approach to sustainability represents an opportunity for the Liechtenstein financial centre to further improve its reputation.

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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