

Press release

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Place	Vaduz

Liechtenstein financial center performs well in challenging environment

The Liechtenstein financial center has performed well in a challenging environment and is stable. In the second half of 2010, banks again reported an increase in new assets. Compared internationally, their capitalization is very strong. In the insurance sector, premium income increased further. The fund sector and asset management companies also developed positively.

At the end of 2010, the consolidated client assets under the management of Liechtenstein banks was CHF 168.1 billion. Taking the market development into account, this represents a slight decrease by 2.5%. The strong Swiss franc has had a negative effect on the development of assets under management. The net inflow of new money in 2010 was CHF 5.8 billion. Especially the foreign group companies reversed the trend around the middle of 2010 and took in more new money, while the development was more hesitant on the domestic market. Assets managed by the banks in Liechtenstein, not counting foreign group companies, amounted to CHF 116.2 billion (previous year: CHF 118.3) at the end of 2010. The consolidated result of normal business activity across all banks declined by 24% to CHF 320.8 billion, against the background of a persistently low interest rate level. The core capital ratio (Tier 1 ratio) rose by 0.8%, reaching a consolidated 17.8% across all banks by the end of 2010. Compared internationally, the capitalization of Liechtenstein banks is thus very strong.

Insurance premium income rose by 7% to CHF 9.42 billion in 2010, reaching a new record high. Life insurances were responsible for CHF 8.86 billion or 94% of the premiums. The capital invested on behalf of insurance clients totaled CHF 29.5 billion. At the end of 2010, asset management companies managed client assets in the amount of CHF 24.3 billion, which represents an increase of CHF 1.81 billion over the previous year. The client assets managed by investment undertakings (funds) rose by 1% in 2010 to CHF 37.7 billion.

Uncertainties regarding further economic development – Tightened regulation of financial markets

In 2010, the markets were characterized by a surprisingly good recovery of the world economy, by historically low interest rates, and by a strong Swiss franc. The high public debt of individual European countries and the developments in the Arab world have given rise to uncertainties on the financial markets and concerning the further economic development.

The environment remains challenging for financial intermediaries. The uncertainties regarding the economic development persist. Profitability of business must be ensured in the context of a low interest rate level. Regulation of the financial markets has been tightened since the financial crisis and harmonized internationally, necessitating processes to adjust to the new conditions and making it more difficult to develop niche strategies based on regulatory differences. Moreover, the orientation of the Liechtenstein financial center toward foreign clients and markets necessitates systematic monitoring of legal and reputation risks arising from cross-border activities, which is subject to special scrutiny internationally.

Good integration of Liechtenstein's supervisory authority internationally

In April 2011, the FMA Liechtenstein was accepted as a member by the International Organization of Securities Commissions, IOSCO. In May 2011, it achieved observer status at the European Securities and Markets Authority, ESMA. With these last two steps, the FMA is now represented in all the European financial market supervisory authorities and the important international organizations dealing with supervision and regulation of financial markets. As Chairman of the Board of the Directors of the FMA Michael Lauber states, explaining the importance of the supervisory authority's international integration, *"The FMA is in a good position in terms of information gathering and active participation. Recognition of the FMA as an equal authority is, moreover, a precondition for the access of Liechtenstein financial intermediaries to foreign markets."*

Stronger trend toward internationalization of supervision

Since the financial crisis, a strengthening of the financial market supervisory authorities and a greater internationalization of supervision have been observed. For instance, the European financial market supervisory system was created in 2010. Group supervision, i.e. supervision of an internationally operating institution in its entirety, is becoming increasingly important in this regard. This further intensifies cooperation with foreign supervisory authorities as well. According to Chief Executive Officer of the FMA Mario Gassner, *"For the FMA Liechtenstein, the goal in this environment is to preserve sovereignty in the supervision of the financial center by way of targeted networking and participation as a recognized supervisory authority."* Identifying and monitoring legal and reputation risks arising from the cross-border business of Liechtenstein financial intermediaries is a focus area of the FMA's supervisory activities.

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