FMA

Financial Market Authority
Liechtenstein

Press release

Date	6 May 2013
Place	Vaduz

Appealing results in a demanding environment

The individual sectors of the financial centre achieved appealing results in 2012. There was an inflow of new assets to the banking centre, the earnings situation improved, and assets under management increased. The financial centre is characterized by a high degree of stability and reliability. The challenges during the transformation phase remain great, however, due to a very demanding market environment and regulatory reform in the financial sector.

As of the end of 2012, Liechtenstein banks – including their foreign group companies – managed client assets in the amount of CHF 184.3 billion. This corresponds to an increase of 11.1% over the previous year. The good development of the equity markets, currency effects, and net new assets contributed to this result. The inflow of net new assets in 2012 was CHF 13.2 billion. The differences among the individual banks are great, however. Income from ordinary business activities was CHF 388 million, compared with CHF 122 million in the previous year. The core capital (Tier 1) ratio as of the end of 2012 rose to 19.8%, consolidated across all banks (2011: 17.2%).

The insurance sector collected CHF 4.2 billion in premiums in 2012. Of these, CHF 3.3 billion went to life insurance, CHF 842 million to non-life insurance, and CHF 46 million to reinsurance. In the previous year, premium income had been CHF 4.8 billion. The capital invested in fund- or unit-linked life insurance for the account and at the risk of the policyholder rose from CHF 27.3 billion in the previous year to CHF 28.0 billion. Non-life insurance becomes significantly more important, given that its premium income almost doubled. The balance sheet total of the insurance undertakings was about CHF 32.3 billion as of the end of 2012.

Client assets managed by asset management companies grew by 8% to CHF 23.5 billion. Of that amount, CHF 17.1 billion was invested with Liechtenstein banks. The number of funds rose by 22 from the previous year to 557. Net assets under management increased from CHF 35.4 billion to CHF 37.2 billion. The increase is due mainly to the strong equity markets.

Liechtenstein financial system proving to be very reliable
This means that appealing results have been achieved in the individual sectors of the financial centre. The Liechtenstein financial system has proven to be very reliable in a demanding environment. It maintained its high degree of stability even during the global financial crisis and offered its clients security. The capital adequacy of the banks is above average compared with banks internationally. Factors such as political stability, healthy government finances, and the Swiss franc foster the stability and attractiveness of the financial centre.

The challenges remain great, however. The financial centre is undergoing a reorientation phase requiring the development of new areas of business. The income and growth outlook in the dominant market environment is muted. Moreover, the far-reaching regulatory reform in the financial centre is adding to the effort required by financial intermediaries. Finally, the European economy has developed unfavourably, and serious government debt crises must be overcome in numerous countries, giving rise to stability risks for the financial system.

Stability, reputation, and market access are the strategic priority issues of the FMA
Ensuring stability, strengthening reputation, and securing market access are strategic priority issues of the utmost relevance in the dominant international economic and regulatory environment. At the media conference, Dr. Urs Philipp Roth-Cuony emphasized the high degree of stability and reliability of the Liechtenstein financial system. "We must preserve these strengths by taking appropriate measures," the Chairman of the Board of Directors said. An expert group appointed by the Government has been commissioned to develop a package of measures on the deposit guarantee system and bankruptcy law, prevention, and emergency measures. Reputation risks arise from cross-border financial services. The cross-border concern accordingly continues to be of the utmost relevance to the FMA. With the regulatory reform in the financial sector and the associated increase in regulatory density, the threshold for international market access is being placed increasingly high. Liechtenstein must therefore continue to pay attention to rigorous implementation of the global and European regulatory standards.

The FMA has an efficient organizational structure
The massive increase in regulation in the financial sector means additional responsibilities and greater demands for the supervisory authority. The FMA was thoroughly reorganized in 2010 to be able to fulfil its mandate in a changed environment. The FMA has a structural organization that allows it to meet its growing responsibilities efficiently. There is a need for investment on grounds of efficiency and regulatory demands in the field of information and communication technologies.

FMA financing must be reorganized
In two judgements, the Constitutional Court found provisions on FMA financing to be unconstitutional. To assure continued financing of the FMA, the Financial Market Authority Act must be revised in two phases. The first revision must enter into force on 1 July 2013, the second – requiring a total revision of the financing model – on 1 January 2014. To fulfil its mandate delegated by the State, the FMA relies on financial planning security and the necessary resources. The revisions must accordingly pass through the legislative process within a useful time period.

The FMA is the independent financial market 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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