



Priorities of supervision in 2020

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The FMA is Liechtenstein's independent financial market supervisory authority, ensuring the stability and credibility of the financial market, the protection of clients, and the prevention and combating of abuses. For the purpose of an effective and efficient use of resources, in particular within the framework of risk-oriented supervision, as well as transparency vis-à-vis financial service providers, each year the FMA defines the priorities of its supervision. The audit priorities relate to the activities of the FMA in 2020.

A) General priorities

1. Combating money laundering

The FMA is increasingly using its own inspections to audit compliance with the provisions on combating money laundering and terrorist financing, which are based on the requirements of the 4th Anti-Money Laundering Directive. The inspection activities are guided even more strongly by a risk-based approach. The inspections build on the results of the risk assessment of the individual financial intermediaries by the FMA, which are derived from the SPG reporting data and the FMA's own information on the quality of the risk management of the individual persons subject to due diligence.

The FMA will pay particular attention to the appropriateness of internal risk categorisation, the appropriateness of the business profiles (especially the origin of the contributed assets and of the total assets, as well as documentation on effective contributors of the assets). Shell companies, service companies, individual subscription rights, and cash transactions are further risk areas that will be the focus of the next audit round.

2. FinTech

The TVTG will enter into force on 1 January 2020, and the FMA will assume a new function as the registration and supervisory authority in connection with FinTech services. The FMA will monitor developments in this new service provider market. In particular, the FMA will assess to what extent established financial service providers engage in these new services and how many completely new service providers become established in Liechtenstein on the basis of the law.

To protect clients and the reputation of the financial centre, the focus will continue to be on activities that are performed without a licence despite being subject to licensing by the FMA.

3. Financial stability

Following the creation of the Financial Stability Committee – which includes representatives of the Government and the FMA – the recommendations of the European Systemic Risk Board (ESRB) are to be implemented step by step. Existing systemic risks must be identified, analysed, and adequately addressed with the appropriate instruments in order to ensure the stability of the financial market. In this context, particular attention will be paid to the analysis of the high level of household debt compared with other countries in order to address the associated risks appropriately.

B) Industry-specific priorities

4. Banks and electronic money institutions

For banks and electronic money institutions, the priorities within the area of governance will be the internal audit and processes for dealing with conflicts of interest. In 2020, banks will be focusing on earnings risk and the associated dependencies as well as specific topics under MiFID II. At the Deposit Guarantee and Investor Compensation Foundation (EAS), which is now under FMA supervision, the main focus will be on internal organisation.

5. Asset management companies

The FMA audits compliance with the comprehensive set of rules under MiFID II in a multi-year audit cycle. For 2020, an in-depth audit of the following core areas is planned for asset management companies: suitability and appropriateness; product governance; and information and reporting obligations, with a special consideration of cost transparency.

6. Insurance undertakings

One focus of supervision is the audit of technical provisions, especially in life insurance but also in non-life insurance. Another focus continues to be on compliance with governance requirements and the outsourcing of asset investments. Cross-border business continues to be an important element in monitoring and audit activities, given that risks are being created by new developments. In addition, the FMA plans to establish conduct of business supervision for the purpose of reviewing implementation of the PRIIPs Regulation and the IDD.

7. Pension schemes

Because the low-interest phase is turning into a long-term trend, the focus of supervision is on reviewing the level of technical interest rates in the formation of pension capital. In this context, the level of the conversion rates will also be an issue, given that excessive conversion rates gradually lead to losses and thus to redistribution.

8. Funds and management companies/AIFMs

One of the purposes of fund regulation is to protect investors by providing transparent, non-deceptive, and fair information. For this reason, the FMA places the focus of fund supervision on client information, and it audits compliance with legal requirements.

The supervisory regime for alternative investment funds is based in part on the periodic reporting of relevant fund data by fund managers. In 2020, the FMA will focus on this reporting and will audit in particular whether the reports are made in compliance with the legal requirements in terms of deadlines and content.

9. Professional trustees and trust companies

The FMA's audit focuses on the persons who actually manage the company, and it rigorously punishes circumventions and abuses. On a supplementary basis, implementation of the new TrHG and the resulting new requirements will be integrated into the existing supervisory process. In addition, the FMA will carry out priority audits of risk assessment and risk-adequate monitoring under the SPG and focus on investigations that have or have not been carried out.

10. Casinos

Initial due diligence audits will be carried out at the newly licensed casinos, and incident-related inspections will be carried out at the existing casinos. The focus is on verifying the extent to which threshold identification as practiced meets the legal requirements as opposed to identification upon entry. In addition, attention will be paid to the risk-adequate monitoring of occasional transactions.