FMA

Financial Market Authority
Liechtenstein

Liechtenstein Financial Market

Facts and figures on the financial intermediaries supervised by the FMA

2013 edition

FOREWORD

Dear Reader

As an integrated supervisory authority, the FMA Liechtenstein supervises banks and insurances as well as other participants in the Liechtenstein financial market such as asset managers, funds, professional trustees, and auditors. In this publication, we have presented the most important facts and figures on the financial centre in a compact form.

Attractive results were achieved in the individual sectors of the financial centre in 2012. Earnings in the banking sector improved again. 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 security to clients. The banks have surpassingly high capital resources compared to other banks internationally, and with private banking, they pursue a conservative business model. Factors such as political stability, sound public finances, and the Swiss franc also promote the stability and attractiveness of the financial centre.

Great challenges remain, however. The financial centre is undergoing a phase of reorientation, requiring the development of new areas of business. The earnings and growth outlook is restrained in the prevalent market environment. The far-reaching regulatory reform in the financial centre is also requiring more work of financial intermediaries. Finally, the European economy has been developing unfavourably, and serious public debt crises in several countries with stability risks for the financial system must be overcome.

This environment also demands much of the FMA. With the increasing density of regulation, the FMA's responsibilities are also increasing. By guaranteeing stability, protecting clients, combating abuse, and implementing international regulatory standards, the FMA performs fundamental functions for the financial centre. In this way, it strengthens the reputation of and trust in the financial centre, promotes international recognition, and accordingly contributes to securing the international market access that is essential for Liechtenstein.

Mario Gassner
CEO

INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

1. INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

1.1 INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

Five years after the bursting of the credit bubble and the associated outbreak of the global financial crisis, the world economy is characterized by a massive surplus of debt and stagnating economic growth. The central banks have continued their expansive policies and in some cases supplemented them by unconventional monetary policy measures. The financial markets are being determined by the continuingly extraordinarily low interest level and the European debt crisis, which spread further in 2012.

World economic growth slowed down over the course of 2012. This resulted in an unfavourable development of the European economy, which slipped into a deep recession. In light of the high international linkage of the world economy and a broadly weakening demand for exports, economic growth in China and in other important emerging markets also slowed down, while the US economy has grown only modestly.

The group of countries affected by the debt crisis has expanded. In June 2012, Cyprus submitted an application for financial assistance. Spain was promised assistance to restructure its banking sector in July 2012. In summer 2012, the crisis reached a temporary climax when the tension on the bond markets of the two large economies Italy and Spain hardened. Finally, the burden of dealing with the crisis has shifted further to the central banks. With the increasing mixing of monetary and financial policy, the risks and side effects of the permanent crisis management since the outbreak of the financial crisis have increased.

The European Central Bank (ECB) was able to prevent a further escalation of the debt crisis: In September 2012, it announced the purchase of short-term government bonds issued by certain countries, with the intent to lower market interest rates. The precondition for buying the government bonds is that the country in question must obtain funding as part of a European rescue programme and use it to consolidate its budget. In October, the European governments also agreed on a time table to introduce a uniform European supervisory mechanism, which assigns the ECB far-reaching competences and responsibilities to secure financial stability.

Since the beginning of 2013, the crisis on the financial markets has meanwhile worsened again somewhat. The political uncertainty after the elections in Italy and the worsening of the crisis in Cyprus have, after an extended phase of quieter markets, made clear that the region is still far from a true solution to the crisis. However, the overall restrained reaction of the financial markets has also shown that the measures for calming the markets and combating the crisis adopted by the ECB and the governments have certainly had a stabilizing effect. While the risk premiums for Italian government bonds rose slightly in the interim, they were slightly lower at the end of April again than in January, and far below the level of summer of last year.

Risks continue to arise from the linkages between banks and their home countries, which can aggravate problems in both directions. In the countries directly affected by the debt crisis, banks have increased investments in the government bonds of their own countries. Thanks to this, the financial situation of the affected states has eased, though the risk potential for the financial institutions due to credit and market risks has grown. On the other side, the linkages increase the danger that a crisis of a major financial institution could spread to the state, and that the bailout would be more than the state could afford.

Apart from the European debt crisis, the low interest rate environment also represents a risk for the long-term maintenance of Liechtenstein's financial stability. The low interest rate environment gives investors incentives to invest in riskier market segments in their search for higher yields and in that way unavoidably to build up risk positions, which might have an adverse impact especially on institutional investors such as pension schemes and insurances. The massive equity price gains in 2012 in some areas and the achievement of new records in a real economic environment of stagnation or even recession (Eurozone) can be seen as a sign of the potentially misguided incentives. The low interest rate environment has also favoured the increase in real estate prices. For this reason, the FMA has strengthened risk controlling in the real estate and mortgage market.

1.2 LIECHTENSTEIN FINANCIAL CENTRE

The Liechtenstein financial system has functioned reliably over the past five years in an extremely demanding market environment. The earnings situation improved again in 2012, after earnings fell to a historic low in the previous year. Assets under management in the fund sector grew in 2012, benefiting from the increase in securities prices.

The challenges for the Liechtenstein financial centre are great, however: The cost ratio of the banks is unfavourable. The short- and medium-term earnings and growth outlook in the financial sector continues to be restrained. Persistently difficult market conditions and an increase in regulatory and administrative efforts must be expected. For the insurance industry, the low interest rate level represents a challenge, although Liechtenstein insurances mainly market fund-linked life insurance products characterized by the fact that the investment risk remains with the policyholder.

The Liechtenstein banking system has further improved its risk capacity since the outbreak of the global financial crisis. Core capital resources have increased, and equity ratios exceed the international standards. Also, the banks have good liquidity buffers, so that the resilience of the Liechtenstein financial sector can continue to be deemed high.

- Banks: At the end of 2012, Liechtenstein banks including foreign group companies managed client assets in the amount of CHF 184 billion. This represents an increase of 11.1% compared with the previous year. The net inflow of new assets in 2012 was CHF 13.2 billion, comparedwith CHF 7.0 billion in the previous year.
- Insurance undertakings: Premium income in 2012 fell by 12% to CHF 4.2 billion, of which CHF 3.3 billion was generated by life insurances, CHF 0.84 billion by non-life insurances, and CHF 0.05 billion by reinsurances. The balance sheet total of the insurance undertakings was about CHF 32.3 billion (previous year: CHF 30.5 billion).
- Investment undertakings (funds): The total net assets rose by 5% in 2012 to CHF 37.2 billion.
- Asset management companies: The assets managed by the companies rose by 8% to CHF 23.5 billion. Of that amount, CHF 17.1 billion are invested at Liechtenstein banks.

FINANCIAL INTERMEDIARIES

2. FINANCIAL INTERMEDIARIES

2.1 BANKS

17 banks held licences in Liechtenstein in 2012. Of these, seven are subsidiaries of Swiss or Austrian banking institutions. One bank is undergoing voluntary liquidation. The banks play a major role in the Liechtenstein financial centre. Their activities focus on private banking and wealth management. Thanks to Liechtenstein's membership in the European Economic Area (EEA), the institutions have access to the entire European single market. Several banks are also active outside Europe, especially in Asia, with representative offices or subsidiaries.

Development in 2012
Liechtenstein banks operated in a difficult market environment again in 2012. They focused on more efficient administration of existing business areas and at the same time on the establishment of new business areas with earnings potential. Overall, the banks have done well in this environment. The transformation phase continues to make high demands on the banking sector, however.

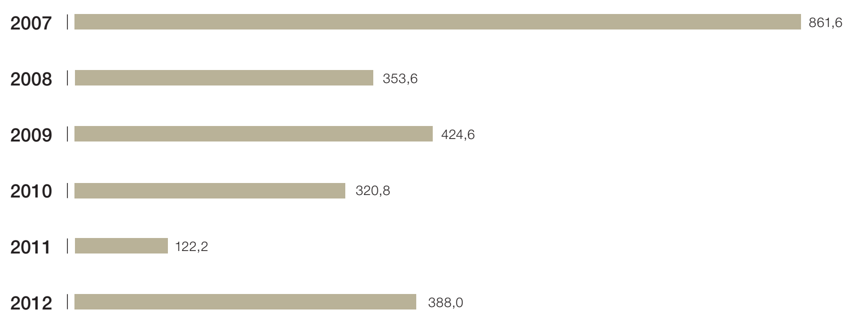

Figure 1
Result from ordinary business activities (EGT)
(in million CHF)

The earnings situation measured in terms of the result from ordinary business activities improved substantially since the previous year from a consolidated perspective. It rose from CHF 122.2 million in 2011 to CHF 388 million as of the end of 2012. This corresponds to an increase by 217%. This was mainly due to income from financial transactions (+306.3%). Income from fees and commissions rose by 6.6%, interest rate income by 3.6%. Operating costs stayed at about the same level as the previous year (+0.4%). The cost/income ratio improved accordingly from 75.4% at the end of 2011 to 63.1% at the end of 2012.

In 2012, client assets under management at Liechtenstein banks including foreign group companies increased by 11.1% to CHF 184.3 billion. The net inflow of new assets was about CHF 13.2 billion compared to CHF 7 billion in the previous year.

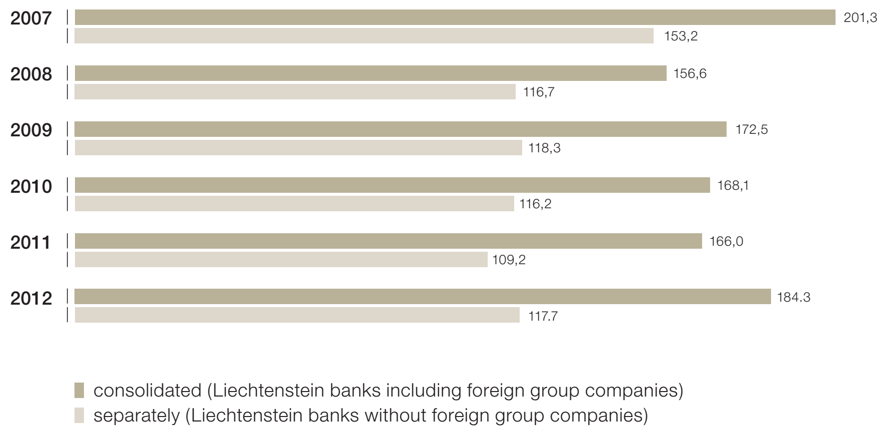

Figure 2
Client assets under management
(in billion CHF)

The client assets under management at Liechtenstein banks without foreign group companies rose by about 8% to CHF 117.7 billion. After two years in which Liechtenstein banks recorded net outflows of new assets overall, the year under review saw a net inflow of new assets in the amount of about CHF 3.9 billion.

Figure 3
Number of jobs at Liechtenstein banks
without foreign group companies

The core capital ratio (Tier 1 ratio) at the end of 2012 consolidated across all banks was 19.8%. This is a striking increase over the previous year (17,2%). Apart from the higher allowable core capital compared with the previous year, the risks to be covered by own funds were also reduced. This means the core capital ratio of the Liechtenstein banking sector is thoroughly solid. The consistent orientation toward private banking and wealth management, the high level of capital adequacy, and the conservative attitude toward new risks offer a guarantee for a stable financial centre and security for the banking client.

2010	4131
2011	4096
2012	4084

Figure 4
Number of jobs at Liechtenstein banks
including foreign group companies

The financial sector in general and the banks in particular are of great importance to Liechtenstein's national economy, also in terms of their role as employers. The number of jobs at banking institutions adjusted for part-time employment at the end of 2012 was about 2 073, which means an increase of about 1.4% over the previous year. The number of jobs at banks including foreign group companies, however, fell again slightly by 12 as of the end of 2012.

Regulatory developments

Implementation of CRD IV and CRR rules

With the upcoming banking regulation – the most substantial so far – which will incorporate the international standards also known as Basel III into EU law, the EU banking sector is to be made more resilient. For this purpose, new rules on capital resources, a new governance framework, and a uniform regulatory framework are being created. These comprehensive and technically demanding rules will be instituted in the form of a directive (CRD IV) to be transposed into national law and a directly applicable regulation (CRR). The enormous scope covers far more than 1 000 pages of new rules, additionally supplemented by more than 70 standards of the European Banking Authority, most of which are binding.

Implementation of crisis management rules

With the crisis management rules, a uniform framework in Europe for crisis management and resolution (restructuring and orderly dissolution) in respect of banks and investment firms is to the created. Implementation – some of which is complex – will be in the form of a directive. In mid-2012, the European Commission published a proposal for a directive of the European Parliament and the Council establishing a framework for the recovery and resolution of credit institutions and investment firms. Prevention, early intervention, and also the resolution of banks and investment firms are being harmonized by law for the first time. This project with substantial market impact enjoys top priority on the part of the European Commission, so that a decision is expected already in 2013.

Implementation of market abuse rules

With the market abuse rules, the existing framework for ensuring market integrity and investor protection, established by the Market Abuse Directive 2003/6/EC, is being adjusted to the current market reality and strengthened. An important component is an expansion of the scope – such as inclusion of spot markets – and the competences of the competent authorities as well as European harmonization and tightening of penalties.

Implementation of the Mortgage Directive

The global financial market crisis has exposed weaknesses in the regulation of lending. For this reason, a new EU directive is intended to improve the protection of borrowers. The new rules govern issues such as solicitation, pre-contractual information, advising, credit assessments, and early repayment.

Foreign Account Tax Compliance Act (FATCA)

This US legislation provides that foreign financial intermediaries must identity their US clients and deliver information concerning them to the US tax authorities. Non-cooperative financial intermediaries are threatened with a 30% withholding tax on income from US financial instruments and on income from the sale thereof. At the beginning of 2013, the US Treasury and the Internal Revenue Service (IRS) published the Final Regulations, defining various key points such as the registration portal of the IRS, information reporting, and first-time deductions on certain payments starting 1 January 2014.

Partial transposition of Directive 2009/14/EC (deposit guarantee, 2nd phase)

In the 2nd phase of implementation of the Deposit Guarantee Directive, the time periods for determining claims and making payouts under the deposit guarantee scheme are to be reduced and the coverage amounts slightly increased. The implementation draft is available and is planned for transposition into Liechtenstein law at the beginning of 2014.

Banks

Basic laws and ordinances (www.gesetze.li)
Banking Act
Banking Ordinance

FMA Annual Report 2012
Supervision: pp. 18 – 26
Regulation: pp. 55 – 57

More detailed information on licences, legal foundations, and supervisiont
www.fma-li.li – Banks and Investment Firms

Liechtenstein Bankers Association
www.bankenverband.li

2.2 ASSET MANAGEMENT COMPANIES

The core business of asset management companies includes portfolio management and investment advisory services. They also work in securities and financial analysis as well as the acceptance and transmission of orders dealing with financial instruments. Asset management companies are not allowed to receive or hold assets by third parties.

At the end of 2012, 110 asset management companies held licences in Liechtenstein (end of 2011 : 107). They employed 455 people at the end of 2012, 19 more than in the previous year. As of the end of 2012, the asset management companies had 8 780 client relationships, corresponding to a decrease of 2 840 relationships or 24.4 % compared with the end of 2011. The decline is due to the market exit of companies working in the field of small clients. The assets under the management of the companies rose by 8 % to CHF 23.52 billion, of which CHF 17.13 billion or 72.82 % (previous year CHF 16.01 billion or 73.5 %) were invested at Liechtenstein banks.

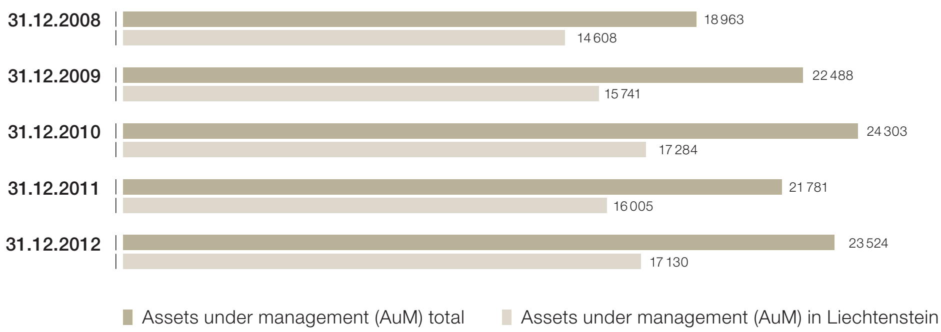

Figure 5
Development of assets under the management of asset management companies (in million CHF)

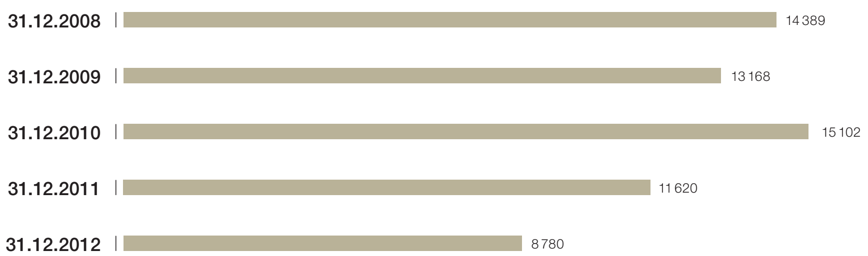

Figure 6
Development of number of client relationships of asset management companies

Regulatory developments

Implementation of AIFM Directive

Asset management companies are also investment firms as defined by Directive 2004/39/EC. This means transposition of Directive 2011/61/EU on alternative investment fund managers (AIFM Directive) is important (see p. 16).

Asset management companies	
Basic laws and ordinances (www.gesetze.li) Asset Management Act (AMA) Asset Management Ordinance (AMO)	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Asset Management Companies
FMA Annual Report 2012 Supervision: pp. 30–32 Regulation: pp. 57–58	**VuVL – Association of Independent Asset Managers in Liechtenstein** www.vuvl.li

2.3 INVESTMENT UNDERTAKINGS (FUNDS)

Thanks to stability, international compatibility, and innovative strength, the Liechtenstein fund centre offers attractive framework conditions for fund providers and their products. This was reflected in further growth in the year under review, albeit slightly lower than in previous years.

Taking account of liquidations and deletions, the number of Liechtenstein funds rose by 22 to 557 as of the end of 2012. At the end of 2012, 791 subfunds/single funds were authorized (previous year: 785). Despite the challenging market environment, growth continued.

2006	339
2007	468
2008	560
2009	618
2010	693
2011	785
2012	791

Figure 7
Development of number of individual funds of investment undertakings

The fund centre grew by 0.8% (previous year: 13.3%) in terms of the number of authorized funds. Liechtenstein is thus continuing to consolidate its position as a fund location.

The funds were being managed by 19 fund managements and one self-managing investment company, i.e. a total of 20 management companies (MCs).

As a marketing location for foreign funds, Liechtenstein recorded a slight decrease compared with the previous year. As of the end of 2012, 117 foreign funds (previous year: 198) with 1 026 (previous year: 1 034) subfunds/single funds were authorized for marketing.

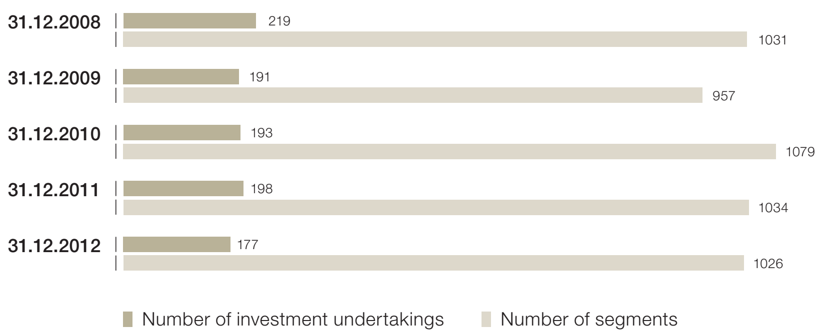

Figure 8
Number of authorized foreign investment undertakings

The net assets under management at the end of 2012 amounted to CHF 37.22 billion (previous year: CHF 35.4 billion). The increase is mainly due to the strong equity markets worldwide in 2012. The influence of volatile foreign exchange markets in the previous year stabilized in 2012 and accordingly had a positive influence on funds.

2007	30,4
2008	26,4
2009	37,3
2010	37,7
2011	35,4
2012	37,2

Figure 9
Development of net assets under the management of investment undertakings (in billion CHF)

Regulatory developments

Implementation of the AIFM Directive

On 19 December 2012, Liechtenstein adopted the Law on Alternative Investment Fund Managers (AIFM Act). The AIFM Act and the associated ordinance (AIFM Ordinance) will enter into force on 22 July 2013. Liechtenstein has accordingly transposed the AIFM Directive 2011/61/EU into national law before the deadline applicable to EU member states.

For European market access, EEA/EFTA states must incorporate the AIFM Directive into the EEA Agreement. The EU passport, which is necessary for cross-border management and marketing of alternative funds throughout Europe, will become part of the authorization only once the incorporation is completed.

Short sales

On 14 March 2012, the European legislative power adopted the Regulation on short selling and certain aspects of credit default swaps. Uncovered short sales of shares and sovereign debt of the EU states and the EU are now prohibited. Additionally, credit default swaps on such government bonds that do not serve a hedging purpose are also prohibited. The regulation entered into force on 25 March 2012, and its essential parts have been directly applicable since 1 November 2012. The process of incorporation into the EEA Agreement is underway.

European Market Infrastructure Regulation (EMIR)

On 4 July 2012, the European legislative power adopted the Regulation on OTC derivatives, central counterparties and trade repositories (EMIR). EMIR provides that starting in 2013, standardized OTC derivative contracts may no longer be concluded bilaterally, but must necessarily be cleared through central counterparties and reported to trade repositories.

Investment undertakings (funds)

Basic laws and ordinances (www.gesetze.li)
Investment Undertakings Act (IUA)
Investment Undertakings Ordinance (IUA)
Law on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act)
Ordinance on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Ordinance)
Law on Alternative Investment Fund Managers (AIFM Act)
Ordinance on Alternative Investment Fund Managers (AIFM Ordinance)

FMA Annual Report 2012
Supervision: pp. 26 – 30
Regulation: pp. 57 – 59

More detailed information on licences, legal foundations, and supervision
www.fma-li.li – Investment Undertakings

LIFA – Liechtenstein Investment Fund Association
www.lafv.li

2.4 INSURANCE UNDERTAKINGS

Liechtenstein is the only insurance centre that offers insurance undertakings direct access both to the countries of the European Economic Area and to Switzerland. The basis for the development of the Liechtenstein insurance market was Liechtenstein's accession to the EEA in 1995 and the Direct Insurance Agreement with Switzerland from 1997.

Life insurance, non-life insurance, and reinsurance undertakings operate in Liechtenstein. Most significant are life insurance undertakings. Their main business is fund-linked/unit-linked life insurance. Non-life insurers cover all relevant insurance classes. The reinsurance undertakings in Liechtenstein are captives. These are company insurance undertakings offering coverage of company insurance risks for the parent undertaking or the group.

Development in 2012

At the end of 2012, 21 life insurance, 14 non-life insurance, and five reinsurance undertakings operated with registered offices in Liechtenstein. 12 undertakings operated as captives, of which seven as direct insurers and five as reinsurers.

	2006	2007	2008	2009	2010	2011	2012
Non-life insurers	13	13	14	14	14	14	14
Life insurers	17	19	23	22	21	21	21
Reinsurers	5	5	5	5	5	5	5
Total licences	**35**	**37**	**42**	**41**	**40**	**40**	**40**

Figure 10
Number of insurance undertakings
(as of the end of the year)

The capital invested on the account and at the risk of policyholders as part of fund-linked or unit-linked life insurance rose from CHF 27.3 billion in the previous year to CHF 28.0 billion. In contrast, the premium income of CHF 4.8 billion in 2011 fell to CHF 4.2 billion in 2012. Of the premiums received, CHF 3.3 billion (79%) were in life insurance, CHF 841.7 million (20%) in non-life insurance, and CHF 46.1 million (1%) in reinsurance. With a near doubling of premium income, non-life insurance is quickly becoming more important.

The balance sheet total of all insurance undertakings domiciled in Liechtenstein was about CHF 32.3 billion (previous year: CHF 30.5 billion). The number of people employed by the insurance undertakings at the end of the last business year was 601. This represents an increase of 24 persons since the previous year.

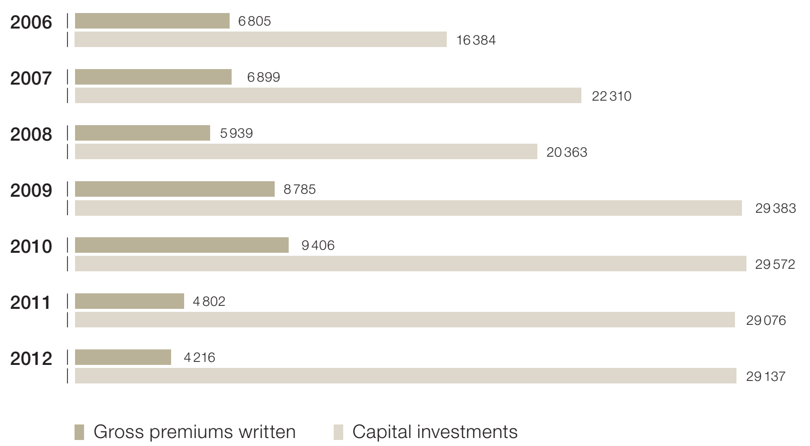

Figure 11
Development of gross premiums written and capital investments of the insurance undertakings (in million CHF)

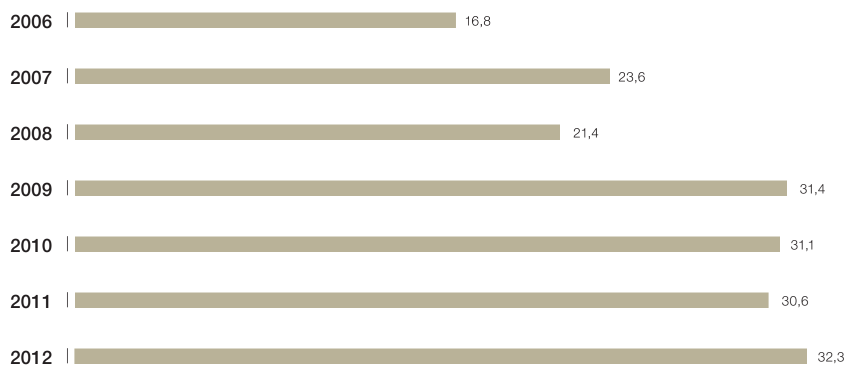

Figure 12
Development of the balance sheet total of insurance undertakings (in million CHF)

Cross-border provision of services

By the end of 2012, 316 insurance undertakings from various EEA countries and Switzerland had notified the FMA of assumption of cross-border provision of services in Liechtenstein via their home country authorities.

Pursuant to the Direct Insurance Agreement between Liechtenstein and Switzerland, Liechtenstein insurance undertakings may engage in insurance business in Switzerland and vice-versa, by way of either cross-border business or an establishment. In the area of non-life insurance, the insurance business offered in Switzerland was exclusively by way of free movement of services. The gross premiums generated by Liechtenstein insurance undertakings in Switzerland in 2011 fell from CHF 121.6 million in the previous year to CHF 111.0 million. About 95% of these gross premiums were attributable to captives. In the life insurance business, the gross premiums earned in Switzerland increased by about 24% from CHF 535.5 million in the 2010 business year to CHF 664.4 million. 88% of life insurance business was by way of free movement of services.

The share of premiums earned in Switzerland was 18.7% of the total premiums (after Italy at 23.5% and Germany at 22.7%).

United Kingdom	162
Germany	953
Italy	986
Liechtenstein	150
Austria	824
Sweden	443
Other EEA countries	257
Switzerland	825
Other third countries	942

Figure 13
Gross premiums written in 2011
by country (in million CHF)

Compulsory building insurance
As of 31 December 2011, 16 insurance undertakings offered compulsory building insurance in Liechtenstein.

The fire insurance sum for buildings as of 31 December 2011 was CHF 17.22 billion (2010: CHF 16.33 billion), CHF 1.84 billion for household effects (2010: CHF 1.75 billion) and CHF 3.78 billion for other moveable objects (2010: CHF 4.81 billion). In total, the fire insurance sum in 2011 amounted to CHF 22.85 billion (2010: CHF 22.89 billion).

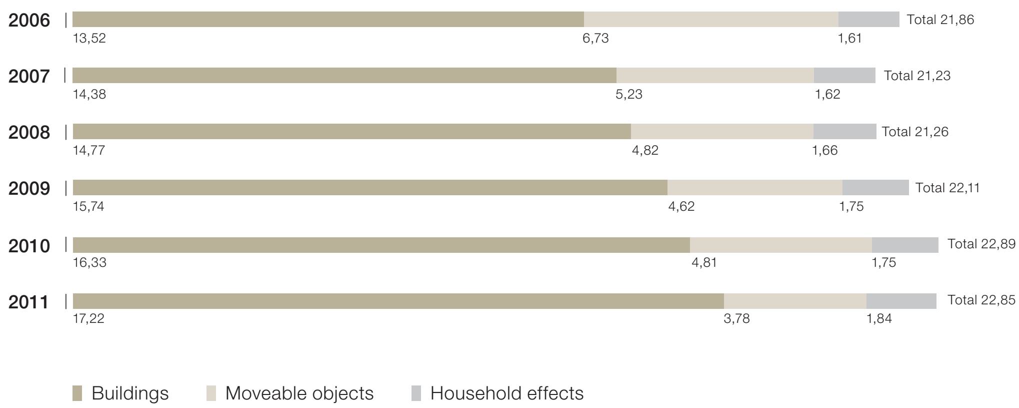

Figure 14
Fire insurance sum of Liechtenstein buildings (in billion CHF)

The premium income for fire insurance in 2011 was CHF 10.24 million (2010: CHF 8.96 million). In total, CHF 18.88 million (2010: CHF 18.29 million) in premiums were earned in compulsory building insurance in 2011. Claims payments in the amount of CHF 2.06 million were made (CHF 1.71 million for fire damage and CHF 0.35 million for damage from natural hazards).

Regulatory developments
Instruction on the head office
By way of an instruction, the FMA has defined the requirements for the head office of an insurance undertaking or pension fund in Liechtenstein. The instruction serves to further specify the supervisory requirements and set out a minimum standard.

Amendments to the Insurance Supervision Ordinance (ISO)
As part of the completed revision of the ISO, amendments were made to the provisions governing group and conglomerate supervision. The minimum guarantee fund in life, non-life, and reinsurance was also increased.

Transposition of the Solvency II Directive 2009/138/EC
Solvency II establishes a new European supervisory system providing appropriate qualitative and quantitative tools to the supervisory authorities so that they can sufficiently evaluate the overall solvency of an insurance undertaking. Methods for the risk-based control of the overall solvency of insurance undertakings are to be created. The existing static system for determining capital resources is to be replaced by a risk-based system. Additionally, new requirements relating to governance, risk management, and reporting are being defined. Because of delays in the European schedule, the time of entry into force of Solvency II is still unclear.

Transposition of the Financial Conglomerates Directive 2011/89/EU
The EU has adopted an amendment to Directive 2011/89/EU as regards the supplementary supervision of financial entities in a financial conglomerate. In light of the lessons learned in the financial crisis, the national supervisory authorities are to be endowed with new competences to supervise financial conglomerates (especially parent companies such as holding companies). To implement the requirements, various Liechtenstein laws have to be amended. Entry into force of the amendments is planned for 1 August 2013.

Insurance undertakings

Basic laws and ordinances (www.gesetze.li)
Insurance Supervision Act (ISA)
Insurance Supervision Ordinance (ISO)
Insurance Contract Act (ICA)

FMA Annual Report 2012
Supervision: pp. 34–39
Regulation: pp. 60–62

More detailed information on licences, legal foundations, and supervision
www.fma-li.li – Insurance Undertakings

LVV – Liechtenstein Insurance Association
www.versicherungsverband.li

2.5 INSURANCE INTERMEDIARIES

At the end of 2012, the FMA supervised a total of 65 licensed and registered insurance intermediaries, of which 58 were legal persons, 4 sole proprietorships, and 3 natural persons. Of the 65 registered insurance intermediaries, 55 work as insurance brokers, and 10 as insurance agents.

	2008	2009	2010	2011	2012
Brokers	50	57	58	56	55
Agents	14	13	13	13	10
Total licences	**64**	**70**	**71**	**69**	**65**

Figure 15
Registered insurance intermediaries
supervised by the FMA

Cross-border business under the free movement of services was primarily conducted in Germany (44% of all insurance intermediaries) and Switzerland (32%). 20% of insurance intermediaries were also active in Austria and 4% in Italy. So far, one insurance intermediary has operated in Switzerland under the freedom of establishment.

According to the annual reports for the 2011 business year, the gross income generated by insurance mediation totalled CHF 22.2 million, of which 40% was generated in life insurance and 60% in non-life insurance. Only two insurance intermediaries worked in reinsurance. Merely 2% of the above-mentioned gross income generated in insurance mediation was due to inducements (fee income) on the part of policyholders.

As of 31 December 2011, a total of 135 people were employed with Liechtenstein insurance mediation undertakings. Of these, 81 worked directly as insurance intermediaries, and 54 employees performed administrative work.

Insurance intermediaries	
Basic laws and ordinances (www.gesetze.li) Insurance Mediation Act (IMA) Insurance Mediation Ordinance (IMO)	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Insurance Intermediaries
FMA Annual Report 2012 Supervision: pp. 39–41	**LIBA – Liechtenstein Insurance Brokers Association** Internet: www.liba.li

2.6 PENSION SCHEMES

The Liechtenstein pension provision system is based on three pillars: state pension provision (1st pillar), occupational pension provision (2nd pillar), and private pension provision (3rd pillar). The pension schemes in Liechtenstein administer occupational pension provision. Together with the first pillar, this second pillar protects the insured employees from the economic consequences of old age, disability, and death. It makes old age, disability, and survivors' payments.

At the end of 2012, 29 pension schemes were supervised by the FMA in Liechtenstein (previous year: 29), of which 8 were collective foundations, 20 company pension schemes, and one the Pension Insurance for State Employees.

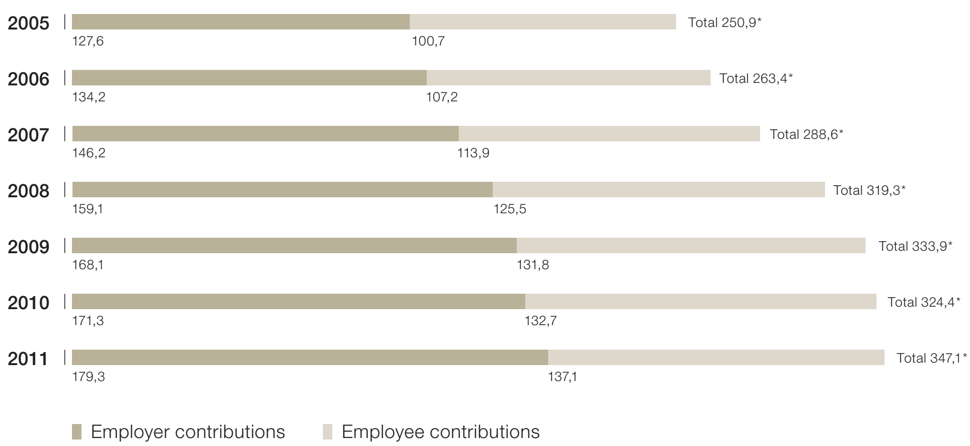

Figure 16
Development of employer and employee contributions (in million CHF)

* Total including special and supplementary contributions as well as deposits to employer reserves.

Thanks to the positive developments on the financial markets, only two schemes had a funding ratio of less than 100% at the end of 2012. In one case, the shortfall is insignificant. The other case is the Pension Insurance for State Employees, the recovery of which continues to be accompanied closely by the FMA.

In 2011, contributions of employees amounted to CHF 137.1 million and contributions of employers to CHF 179.3 million, for a total of CHF 347.1 million (including special and supplementary contributions as well as deposits to employer reserves).

The number of insured persons as of 31 December 2011 amounted to 37,756. 21,147 insured persons (56%) were insured by collective foundations, 12,359 (33%) by company pension schemes, and 4,250 (11%) by the Pension Insurance for State Employees.

Pension capital and technical provisions as of 31 December 2011 amounted to CHF 4.35 billion (previous year: CHF 4.12 billion). Of this amount, CHF 1.30 billion made up the pension capital of collective foundations, CHF 2.21 billion of company pension schemes, and CHF 0.84 billion of the pension insurance for state employees. The interest rates on the pension capital fluctuated between 0% and 5.0% for the pension schemes in 2011.

2006	3,08
2007	3,34
2008	3,66
2009	3,89
2010	4,12
2011	4,35

Figure 17
Development of pension capital
(in billion CHF)

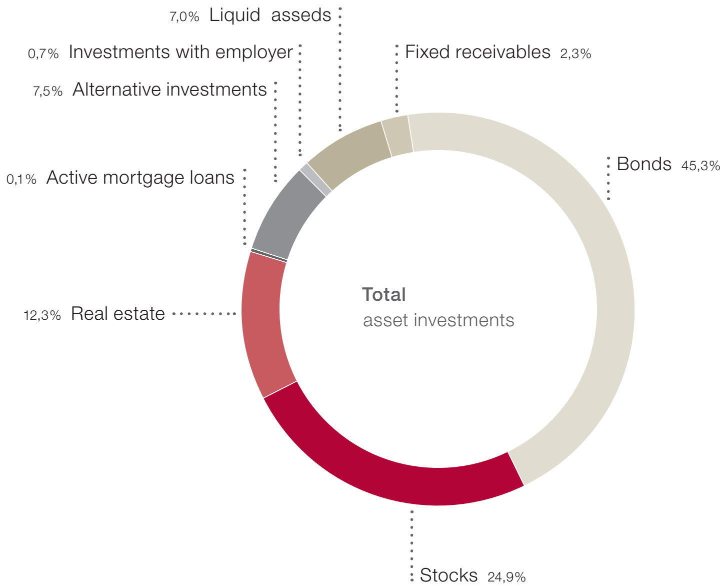

Figure 18
Distribution of asset investments
in 2011 by asset class

Vested benefits accounts

In the 2012 reporting year, three banks maintained vested benefits accounts. As of 31 December 2012, there were a total of 11,129 (2010: 9,869) such accounts with managed capital of CHF 280,2 million (2011: CHF 249,6 million). The average amount of vested benefits amounted to CHF 25,180 (2010: CHF 25,294). The interest rate on the vested benefits accounts was between 1.25% and 1.50% in 2012.

Pension schemes	
Basic laws and ordinances (www.gesetze.li) Occupational Pensions Act (OPA) Occupational Pensions Ordinance (OPO)	**More detailed information on licences, legal foundations, and supervisiont** www.fma-li.li – Pension Schemes
FMA Annual Report 2012 Supervision: pp. 41–44	**Liechtenstein Pension Scheme Association** www.lpkv.li

2.7 PENSION FUNDS

As a member of the EEA, Liechtenstein transposed Directive 2003/41/EC (Pension Funds Directive) in 2007. Pension funds are institutions offering occupational retirement provision in Liechtenstein or from Liechtenstein by way of cross-border business in the EEA or in third countries. Pension funds do not operate in occupational pension provision under the Occupational Pensions Act.

Six pension funds are currently licensed in Liechtenstein. Provisional reports indicated that about CHF 78,7 million in gross premiums were earned in the 2012 business year (2011: CHF 78,0 million).

Regulatory developments
Instructions on the head office
By way of an instruction, the FMA has defined the requirements for the head office of an insurance undertaking or pension fund in Liechtenstein. The instruction serves to further specify the supervisory requirements and set out a minimum standard.

At the European level, the Directive on institutions for occupational retirement provision is currently under revision. The modifications to strengthen the Liechtenstein pension fund location will be implemented into national law at the same time as the changes resulting from revision of the directive.

Pension funds	
Basic laws and ordinances (www.gesetze.li) Pension Funds Act (PFA) Pension Funds Ordinance (PFO)	**FMA Annual Report 2012** Supervision: pp. 44 Regulation: pp. 60 **More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Pension Funds

2.8 PROFESSIONAL TRUSTEES AND TRUST COMPANIES

The activities of professional trustees include in particular the formation of legal persons, companies, and trusts, the assumption of board mandates, accounting and controlling, as well as financial, economic, and tax advice. The FMA is responsible for the due diligence supervision of professional trustees as well as admission to examinations and licensing for their work in the financial centre.

As of 31 December 2012, the number of licences under the Professional Trustees Act (PTA) was 378 (2011: 392). These include 70 professional trustees, 21 professional trustees with a restricted licence, 259 trust companies, and 28 trust companies with a restricted licence.

	2010	2011	2012
Professional trustees	77	79	70
Professional trustees with a restricted licence	23	21	21
Trust companies	264	263	259
Trust companies with a restricted licence	28	29	28
TOTAL	**392**	**392**	**378**

Figure 19
Professional trustees and
trust companies

Regulatory developments

Comprehensive revision of the Professional Trustees Act

The purpose of the comprehensive revision of the Professional Trustees Act is especially to protect clients, strengthen trust in the financial centre, promote international market access, and strengthen competitiveness. The focus of the planned amendments is on strengthening supervision by the authority with regard to licensing, permanent compliance with licensing conditions, enforcement of supervision, and withdrawal of licences. Additionally, various new reporting obligations are being introduced to ensure ongoing supervision. Moreover, the disciplinary system is being reorganized, for which a new professional ethics committee for disciplinary matters will be responsible. The creation of an extrajudicial mediation office is also envisaged.

The consultations on the comprehensive revision of the PTA were carried out in 2012. The first reading in Parliament is planned for June 2013. Entry into force is expected on 1 January 2014.

Professional trustees and trust companies	
Basic laws and ordinances (www.gesetze.li) Professional Trustees Act (PTA) Due Diligence Act (DDA) Due Diligence Ordinance (DDO) **FMA Annual Report 2012** Supervisison: pp. 46–51 Regulation: pp. 63	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Treuhänder **Liechtenstein Association of Professional Trustees** www.thv.li

2.9 AUDITORS AND AUDIT COMPANIES

As of 31 December 2012, 33 domestic auditors, three foreign auditors established in Liechtenstein, and 24 audit companies were supervised by the FMA. Under the free movement of services, the number of licenced auditors was 37 and the number of audit companies 22. The FMA is responsible for due diligence supervision. The FMA also exercises disciplinary power. With the finalization of the Ordinance on the Performance of Quality Controls, the FMA will also carry out quality controls of auditors and audit companies for the first time in 2013, in addition to due diligence inspections.

	2010	2011	2012
Auditors	25	23	33*
Audit companies	26	24	24
Auditors under the free movement of services	6	9	37
Audit companies under the free movement of services	22	22	22
Auditors established in Liechtenstein	0	0	3
TOTAL	**79**	**78**	**119**

Figure 20
Auditors and audit companies

* This includes the auditors eligible for registration not included on 31.12.2011.

Regulatory developments

Implementing ordinance for the Auditors and Audit Companies Act (AACA)

With the implementation of EU Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, the FMA has for the first time been assigned disciplinary supervision of a liberal profession. On the basis of the amendments of the AACA which entered into force on 1 February 2011, an implementing ordinance to further specify the quality assurance audits was developed in 2012. This new ordinance is expected to be adopted by the Government in the second quarter of 2013.

Auditors and audit companies	
Basic laws and ordinances (www.gesetze.li) Auditors and Audit Companies Act (AACA) **FMA Annual Report 2012** Supervision: pp. 46–51 Regulation: pp. 65	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Auditors **Liechtenstein Association of Auditors (WPV)** www.wpv.li

2.10 LAWYERS AND LAW FIRMS

As of 31 December 2012, the number of persons licensed under the Lawyers Act was 346. This number includes 168 lawyers, 69 Liechtenstein lawyers eligible for registration, 22 European lawyers established in Liechtenstein, 54 apprentice lawyers, 29 law firms, 1 branch of a law firm, and 3 legal agents. Compared with the previous year (2011: 342), there was a slight increase in the overall number. The FMA's responsibilities include due diligence supervision.

Comprehensive revision of the Lawyers Act

In 2012, the consultations on the comprehensive revision of the Lawyers Act were initiated. The comments of the FMA in this regard contained a detailed proposal for new rules governing liability insurance for lawyers and law firms. An important amendment to the Lawyers Act concerns supervision of lawyers, which is to move from the Liechtenstein Chamber of Lawyers (LIRAK) to the FMA. Also, instead of the previously required documentary evidence, a lawyer should in future be able to invoke his or her power of attorney before all courts and authorities. The first reading of the report and application is scheduled for spring 2013. Entry into force is planned for 1 January 2014.

	2010	2011	2012
Lawyers	150	164	168
Liechtenstein lawyers eligible for registration	66	61	69
Law firms	25	27	22
Branches of law firms	28	29	29
Apprentice lawyers	1	1	1
Legal agents	67	56	54
Rechtsagenten	4	4	3
TOTAL	**341**	**342**	**346**

Figure 21
Lawyers, law firms,
and other categories

Lawyers and law firms

Basic laws and ordinances (www.gesetze.li)
Gesetz über die Rechtsanwälte (RAG)

FMA Annual Report 2012
Supervisiont: pp. 46–51
Regulation: pp. 64–65

More detailed information on licences, legal foundations, and supervision
www.fma-li.li – Lawyers

Liechtenstein Chamber of Lawyers
www.lirak.li

2.11 PATENT LAWYERS AND PATENT LAW FIRMS

Patent lawyers and patent law firms offer professional advice and representation in the fields of intellectual property. The FMA is responsible for due diligence supervision.

As of 31 December 2012, 11 persons held a licence under the Patent Lawyers Act (PLA). The number of patent lawyers fell by one, and the number of patent law firms remained the same.

	2010	2011	2012
Patent lawyers	9	9	8
Patent law firms	3	3	3
TOTAL	**12**	**12**	**11**

Figure 22
Patent lawyers and
patent law firms

Patent lawyers and patent law firms

Basic laws and ordinances (www.gesetze.li)
Patent Lawyers Act (PLA)

FMA Annual Report 2012
Supevision: pp. 47 – 51

More detailed information on licences, legal foundations, and supervision
www.fma-li.li – Patent Lawyers

2.12 OTHER FINANCIAL INTERMEDIARIES

The FMA Liechtenstein is also tasked with due diligence supervision of the following financial intermediaries:

- persons with certifications under article 180 a PGR
- exchange offices
- real estate brokers
- dealers in goods
- other persons subject to due diligence

More detailed information at www.fma-li.li – Financial Intermediaries.

Regulatory developments

Creation of a law on the supervision of persons under article 180a of the Law on Persons and Companies (PGR)

The creation of the law is intended to establish a comprehensive supervision system for persons under article 180 a PGR. As is the case with the comprehensive revision of the Professional Trustees Act, the focus is on stronger supervision by the FMA, including with respect to licensing, permanent compliance with licensing conditions, enforcement of supervision, and withdrawal of licences. Additionally, two publicly accessible directories are envisaged, containing entitled persons not previously disclosed as well as newly approved persons. This enhances transparency in the interest of clients (client protection) and strengthens the reputation of the financial system. The first reading in Parliament is planned for the end of the 2nd quarter of 2013. Entry into force is envisaged for 1 January 2014.

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TThe publication “Liechtenstein Financial Market” appears once a year as a supplement to the Annual Report. It is available on the FMA website. No printed version is published.