

2020 edition

LIECHTENSTEIN
FINANCIAL CENTRE



FMA

Financial Market Authority
Liechtenstein

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Liechtenstein Financial Centre

The Principality of Liechtenstein has a safe financial centre with an extensive network of international relationships. Its core competencies lie in a broad range of services for long-term solutions to preserve wealth across generations. The financial centre is highly diversified with its banking sector, insurance industry, fund sector, and fiduciary industry. Alongside its services for predominantly international clients, the market participants also serve the domestic economy and population. Financial services are the country's second largest economic sector after industry and manufacturing.

The financial centre combines tradition with innovation. Liechtenstein promotes innovation in the financial services sector with entrepreneur-friendly conditions. The Financial Market Authority's Regulatory Laboratory serves as a contact point for financial service providers and FinTechs.

Direct market access to attractive economic areas

Liechtenstein is a member of the European Economic Area (EEA). Financial service providers have full freedom to provide services to all countries of the European Union, Norway, and Iceland. Thanks to Liechtenstein's traditionally close neighbourly economic relations and its Customs Treaty with Switzerland, financial service providers also benefit from privileged access to Switzerland. The Currency Treaty with Switzerland defines Liechtenstein as part of the Swiss franc monetary area, which means that the banks enjoy the same access to refinancing at the Swiss National Bank as Swiss institutions.

Compliance with international regulatory standards

Due to its EEA membership, the same legal requirements apply in Liechtenstein as in the countries of the European Union. The strict standards offer the clients of the financial centre a high degree of security. The internationally recognised Financial Market Authority (FMA), which is integrated into the European System of Financial Supervision, combats abuses and safeguards client protection and the stability of the financial centre. Liechtenstein meets the highest standards and has an effective defensive mechanism at its disposal to combat money laundering and terrorist financing. In tax matters, Liechtenstein implements the global standards of transparency and information exchange developed by the OECD.

In the heart of Europe and the Swiss franc monetary area, Liechtenstein offers a stable legal and social order with a very high quality of life. The sound fiscal policy of the public budgets, short administrative channels, as well as a transparent and predictable tax and legal framework contribute to the attractiveness of Liechtenstein as a business location. Liechtenstein's AAA rating by Standard & Poor's underscores this reliability.

*14 banks, 5 electronic money institutions
37 insurance undertakings
516 funds and 16 management companies
106 asset management companies
151 professional trustees and
245 trust companies
17 pension schemes, 4 pension funds*

Growth in the banking centre

At the end of 2019, assets under management at Liechtenstein banks amounted to almost CHF 350 billion. Earnings before tax (EBT) rose by about 20% to CHF 640 million.

CHF **157** billion
2008

CHF **305** billion
2018

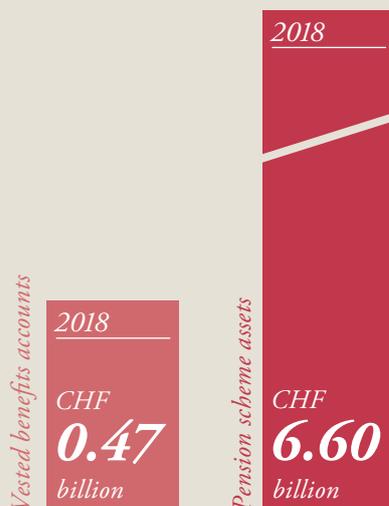
CHF **350** billion
2019

*Assets under management, consolidated
(Liechtenstein banks incl. foreign group companies)*

Blockchain and Co.

The [Token and Trusted Technologies Service Provider Act \(TVTG\)](#) entered into force at the beginning of 2020. The TVTG entrusts the FMA with the registration and incident-based supervision of service providers who provide their services on systems such as blockchains. The Regulatory Laboratory processed 181 FinTech enquiries in 2019.

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Pension schemes insure 42,000 persons

At the end of 2018, pension schemes insured 42,394 persons, of which 37,094 were active insured persons and 5300 were retirees. This means the pension schemes insure more persons than Liechtenstein has inhabitants.

Pension scheme assets and contributions to vested benefits accounts

National economic significance

The Liechtenstein financial sector is strongly diversified with extensive international relationships. After industry and manufacturing, it is the second largest sector of the Liechtenstein national economy and thus of exceptional importance. About 9% of all persons employed in Liechtenstein work in financial and insurance services, and another 7% in legal and tax advice or auditing. In total, 6639 people worked in the financial sector at the end of 2017, which corresponds to more than 16% of all employees.

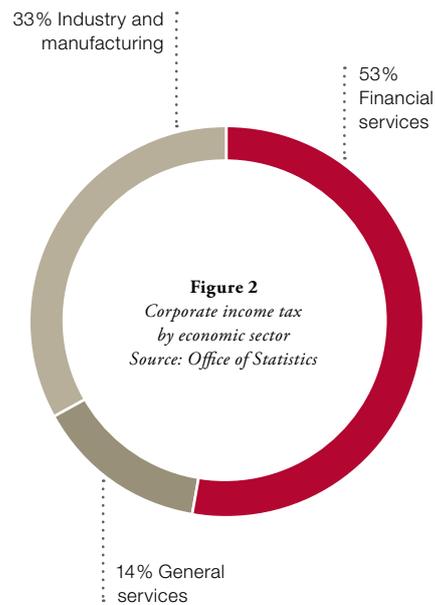
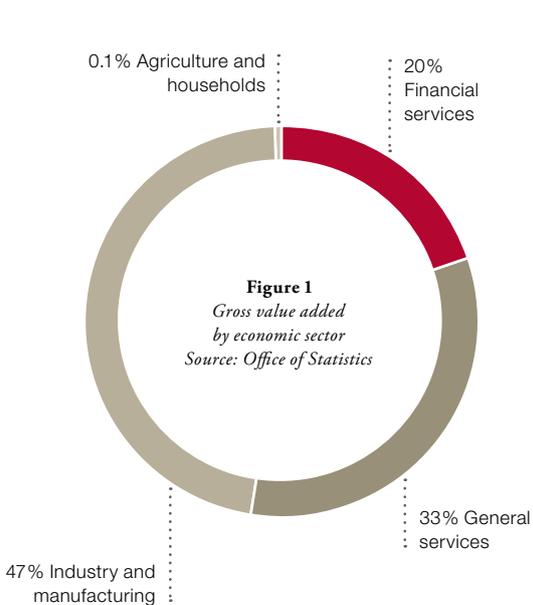
Gross value added by economic sector

In 2017, the Liechtenstein financial sector (provision of financial and insurance services, legal and tax advice, and auditing) generated gross value added of

CHF 1.234 billion. This means that every fifth franc of value added in Liechtenstein is generated in the financial sector. The industrial sector is the sector with the largest contribution to gross value added, generating CHF 2.880 billion per year.

Corporate income tax by economic sector

The financial sector is also very important for the fiscal revenue of Liechtenstein. Through taxation of corporate income directly linked to the economic activities of financial institutions, the State and the municipalities generated estimated tax revenue of CHF 102 million in the 2017 tax year.



Development of the financial centre

The Liechtenstein financial centre recorded another successful business year in 2019 and remained on its growth path despite a challenging global environment.

The assets under management at Liechtenstein banks increased at the consolidated level by 14.6% from CHF 305.2 billion to CHF 349.8 billion. In addition to the positive market development, net new money in the amount of CHF 20.4 billion contributed to this result. The profitability of the banks also developed positively. Overall, earnings before tax rose considerably to CHF 639.5 million, an increase of 19.8% over the previous year.

The fund sector developed in parallel. After a slight decline in fund volumes in 2018, net assets under management recovered last year, reaching CHF 58.79 billion by the end of the year. Assets under management at asset management companies rose by 11.3% in 2019 to CHF 43.1 billion.

In 2019, premium income of insurance undertakings amounted to CHF 5.55 billion, a slight increase over the previous year (CHF 5.42 billion). Of the premiums written, CHF 3.07 billion (55.4%) is attributable to non-life insurance, CHF 2.41 billion (43.4%) to life insurance, and CHF 65 million (1.2%) to reinsurance. After the increase in premiums in non-life insurance due to the establishment of new non-life insurance undertakings in recent years, gross premiums increased in all three insurance segments in the previous year.

At the end of 2019, 17 occupational pension schemes in Liechtenstein were under the supervision of the FMA. The provisional weighted average funding ratio was 109.9%, an increase of 7.9% over the previous year. In addition, four pension funds licensed in Liechtenstein were active in 2019. Three of these pension funds provided services in the European Economic Area (EEA) and in third countries.

In 2019, the Liechtenstein Parliament passed the Token and TT Service Provider Act (TVTG). The TVTG entrusts the FMA with the registration and incident-based supervision of service providers who provide their services on TT systems (e.g. blockchain). The new law also implements the FATF Recommendations providing for due diligence supervision to combat money laundering for such services.

The Liechtenstein financial centre developed very positively across all segments in 2019. Against the backdrop of the emerging global economic crisis, however, 2020 will present the financial centre with major challenges. The structural characteristics of the Liechtenstein banking and financial sector, such as high capitalisation and a very solid liquidity base, are especially important for guaranteeing stability in times of crisis.

Banking sector

Liechtenstein banks focus their activities primarily on private banking and international wealth management. Thanks to Liechtenstein's membership in the European Economic Area (EEA), banks enjoy full freedom to provide services throughout the European single market. Some banks are also active outside Europe, especially in Asia.

Assets under management at the 14 banks (Liechtenstein banks including foreign group companies) amounted to CHF 349.8 billion as of December 2019. Of this amount, CHF 174.2 billion or 49.8% is attributable to the banks in Liechtenstein. The net new money inflow of the Liechtenstein banks, including foreign group companies (including acquisitions), amounted to approximately CHF 20.4 billion in 2019 (CHF 1.0 billion of which in Liechtenstein).

The balance sheet total of the Liechtenstein banks, including foreign group companies, amounted to CHF 92.8 billion at the end of 2019 (CHF 71.5 billion of which in Liechtenstein). The number of full-time equivalent positions at Liechtenstein banks (excluding foreign group companies) was 2129.

The CET1 capital ratio at the level of individual banks (excluding foreign group companies) was 21.4% at the end of 2019. Capitalisation is thus on a solid basis and further improved over the past year.

Five electronic money institutions were licensed in Liechtenstein as of December 2019. Electronic money institutions issue electronically stored monetary assets with which payment transactions can be executed. Prepaid cards are an example.

FINANCIAL STABILITY REPORT 2019

In November 2019, the FMA published the second edition of the [Financial Stability Report](#) on the stability of the financial sector. The report is one of the FMA's contributions to safeguarding financial stability.

¹ All 2019 figures are based on provisional reporting.

■ Consolidated view: Liechtenstein banks incl. foreign group companies
 ■ Individual view: Liechtenstein banks without foreign group companies

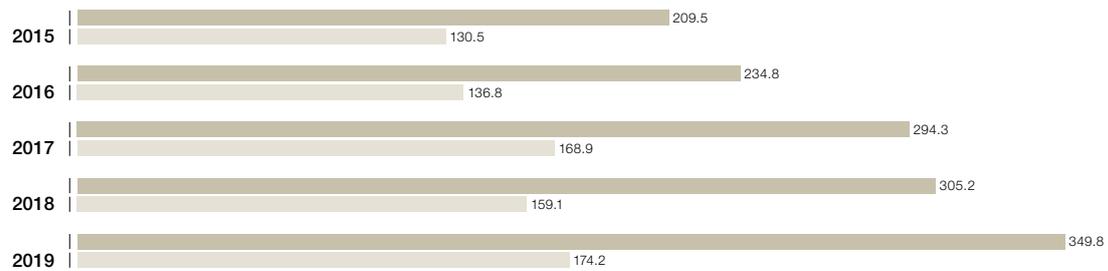


Figure 3
 Assets under management (in CHF billion)

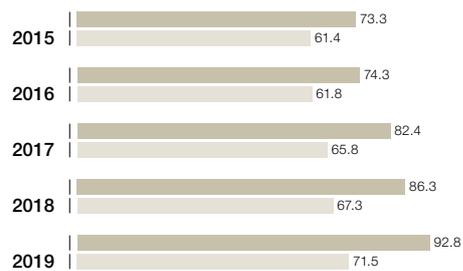


Figure 4
 Balance sheet total (in CHF billion)

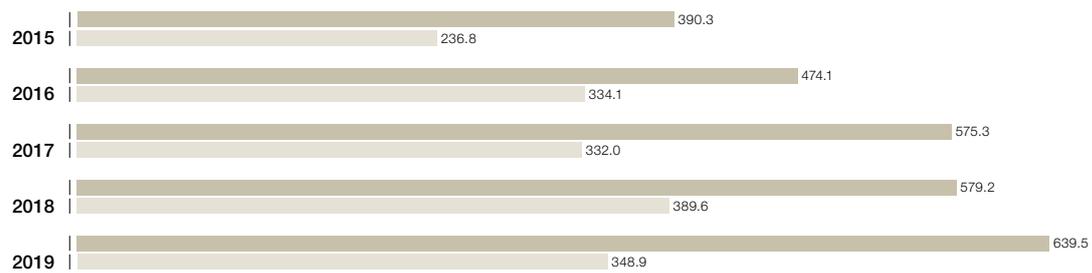


Figure 5
 Earnings before tax (EBT)
 of the Liechtenstein banks (in CHF million)

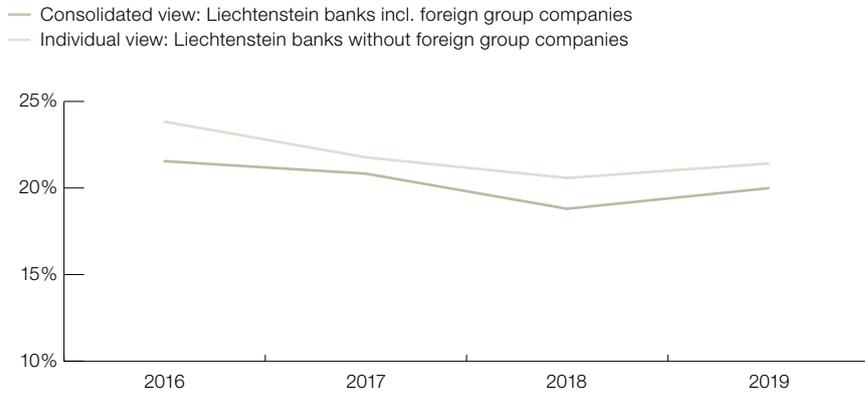


Figure 6
 CET1 ratio of Liechtenstein banks (in % of risk-weighted assets)

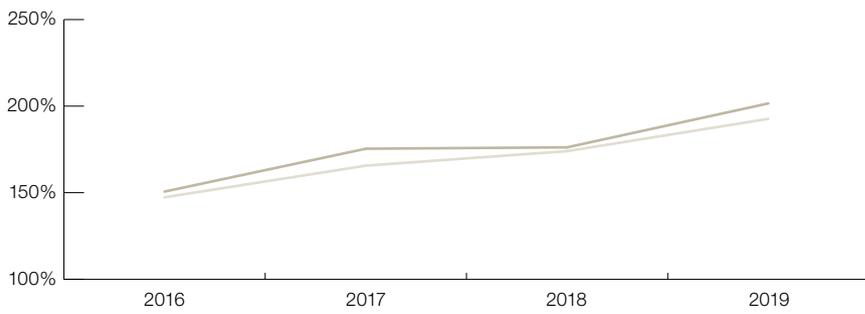


Figure 7
 Liquidity coverage ratio of Liechtenstein banks (in %)

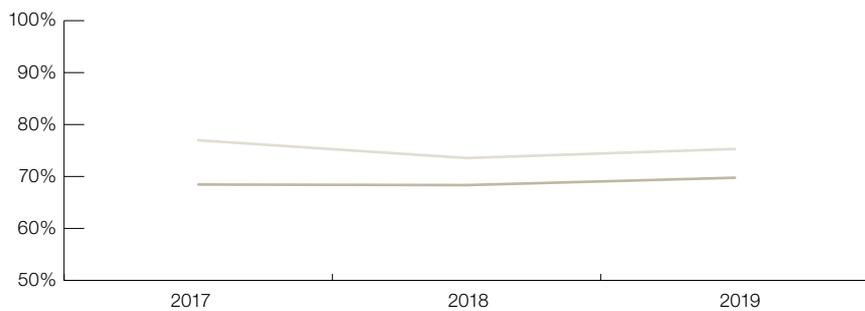


Figure 8
 Loan-to-deposit ratio of Liechtenstein banks (in %)

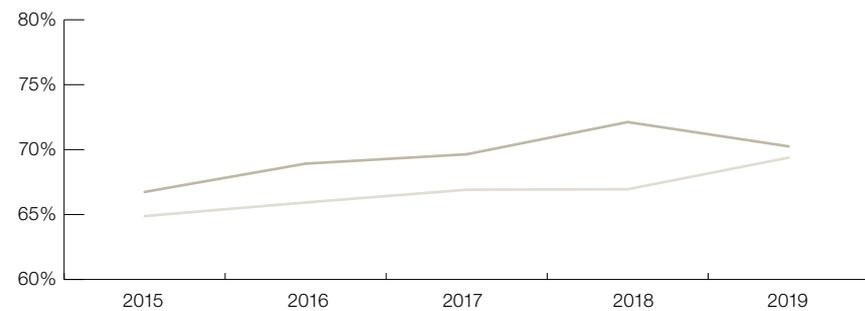


Figure 9
 Cost-income ratio of Liechtenstein banks (in %)

Insurance and pension funds

Insurance undertakings

At the end of 2019, 20 life, 14 non-life, and 3 reinsurance undertakings were operating in Liechtenstein. The life insurance undertakings mainly offer fund-linked/unit-linked life insurance. Liechtenstein offers insurance undertakings direct market access to the countries of the European Economic Area and to

Switzerland. The importance of the internationally active non-life insurance undertakings has increased considerably in recent years.

According to provisional reporting², the premium income of the insurance undertakings amounted to CHF 5.549 billion in the 2019 fiscal year. Of that amount, CHF 3.073 billion is attributable to non-

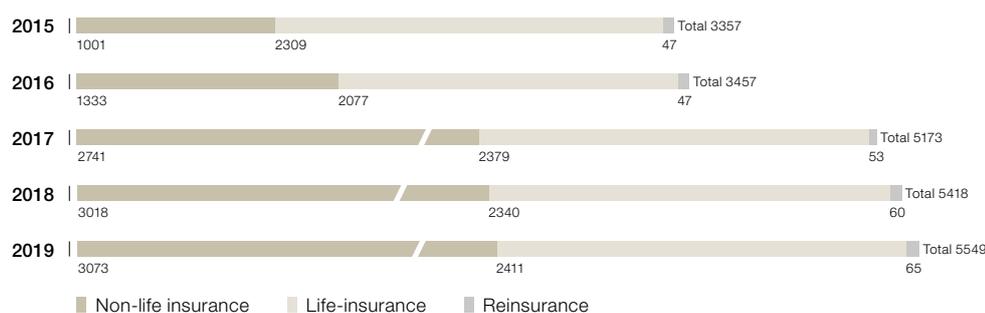


Figure 10 Development of gross premiums written of insurance undertakings (in CHF million)

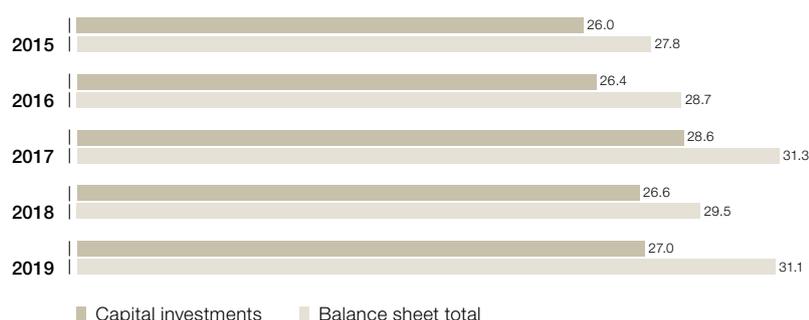


Figure 11 Development of balance sheet total and capital investments of insurance undertakings (in CHF billion)

² The figures do not include the insurance undertakings Valorlife Lebensversicherungs-Aktiengesellschaft and Wealth-Assurance AG.

INSURANCE AND PENSION FUNDS

Liechtenstein Financial Centre – 2020 edition

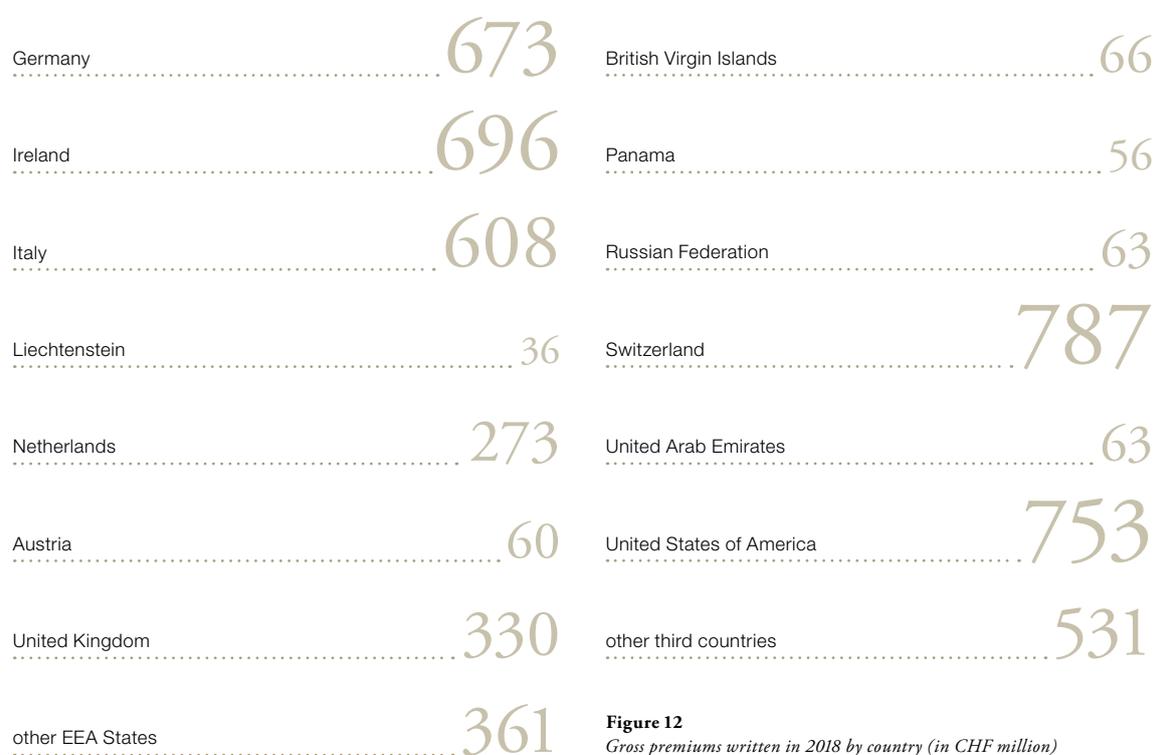


Figure 12
Gross premiums written in 2018 by country (in CHF million)

life insurance, CHF 2.411 billion to life insurance, and CHF 0.065 billion to reinsurance. The reinsurance undertakings operated as captives, i.e. company-owned insurance undertakings offering coverage of company insurance risks for the parent undertaking or the group.

According to provisional reporting, the balance sheet total of all insurance undertakings was CHF 31 billion at the end of 2019, and the capital managed as part of fund-linked/unit-linked life insurance for the account and risk of policyholders amounted to about CHF 22 billion.

The solvency ratio of the Liechtenstein insurance sector was approximately 223% at the end of 2019. One insurance undertaking was not able to meet the solvency capital requirements as of the reporting date.

19 foreign insurance undertakings maintained a dependent branch in Liechtenstein at the end of 2019. 17 of these had their registered offices in Switzerland. In addition, at the end of 2019, 419 insurance undertakings from various EEA countries and Switzerland were notified to the FMA for the cross-border provision of services in Liechtenstein via their home country supervisory authority.



Figure 13
Solvency ratio of Liechtenstein insurance undertakings (in %)

At the end of 2018, 11 insurance undertakings offered compulsory building insurance. The fire insurance sum at the end of 2018 was CHF 20.0 billion for buildings, CHF 2.0 billion for household effects, and CHF 4.5 billion for other moveable objects. The premium income for fire insurance in 2018 amounted to CHF 9.3 million. Premiums for compulsory building insurance totalled CHF 19.9 million in 2018. This stands in relation to claims payments amounting to CHF 6.9 million.

At the end of 2018, pension schemes insured 42,394 persons, of which 37,094 were active insured persons and 5300 were pensioners. Total assets amounted to CHF 6.60 billion at the end of 2018. The provisional weighted average funding ratio at the end of 2019 was 109.9%. The benefits paid out under the pension schemes' rules in 2018 amounted to CHF 201.4 million. Total contributions made to the pension schemes in the same year amounted to CHF 434 million. The average pension conversion rate of the pension schemes was 5.8% in 2018.

Pension schemes

Occupational pension provision is administered by 6 collective foundations and 11 company pension schemes. These are autonomous legal entities in the form of foundations that are subject to the Occupational Pensions Act (BPVG). Alongside Old Age, Disability, and Survivors' Insurance administered by the State (AHV/IV) and private pension provision on a supplementary basis, occupational pension provision serves as the second pillar of pension provision in Liechtenstein.

Pension funds

Pension funds are institutions for occupational retirement provision. Pension funds domiciled in Liechtenstein can carry out cross-border activities in the countries of the European Economic Area (EEA) thanks to Liechtenstein's membership in the EEA. The Pension Funds Act also allows pension funds to conduct business in countries outside the EEA. As of the end of 2019, four pension funds were approved in Liechtenstein. According to provisional reports, gross premiums in the 2019 fiscal year amounted to CHF 73.9 million.

FACTS AND FIGURES

Every autumn, the FMA publishes [Occupational Pension Provision in Liechtenstein](#), a brochure containing facts, figures, and expert contributions on the second pillar of pension provision.

Fund sector

Thanks to direct access to the European market and international compatibility of its products, the Liechtenstein fund centre offers attractive conditions for fund providers and investors.

At the end of 2019, 516 Liechtenstein funds were licensed. A fund may consist of one or more subfunds. Also at the end of 2019, 309 single funds and 431 subfunds were licensed. Net assets under management amounted to CHF 58.79 billion at the end of 2019.

NATIONAL ECONOMIC MONITOR

As part of its macroeconomic supervision, the FMA makes assessments of the development of national economies, especially of international financial markets. It publishes these assessments four times a year in its [National Economic Monitor](#).

The funds were managed by a total of 16 management companies or alternative investment fund managers (AIFMs) and one self-managing investment company. Other licence holders under fund law were one risk manager under the AIFM Act (AIFMG) and one selling agent under the AIFMG. They employed a total of 238 people.

The number of foreign funds authorised for distribution in Liechtenstein was 453, and the number of subfunds authorised for distribution was 1673.



Figure 14
Development of number of single funds and subfunds



Figure 15
Development of fund volume (in CHF billion)

Asset management companies

The core business of the asset management companies includes portfolio management, investment advisory services, and the execution of orders on behalf of clients. Asset management companies may neither accept nor hold assets of third parties.

At the end of 2019, 106 asset management companies held licences in Liechtenstein. They had 9738 client relationships at the end of 2019, of which 7530 included an asset management mandate.

The assets under management of the companies at the end of 2019 amounted to CHF 43.10 billion, of which CHF 24.88 billion was invested at Liechtenstein banks. The asset management companies employed a total of 671 people.

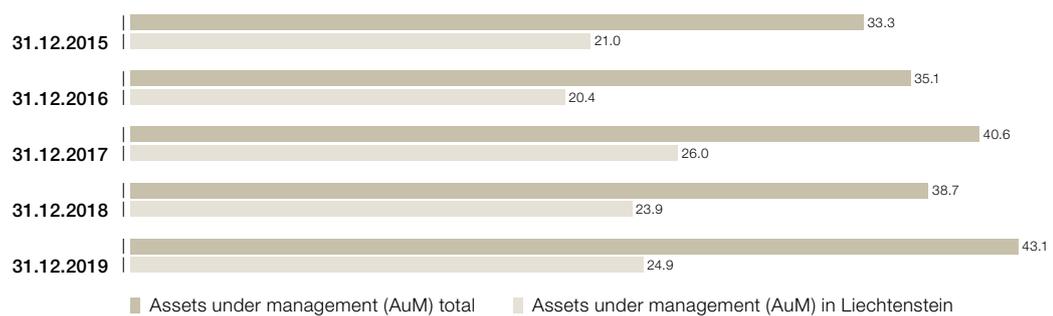


Figure 16
 Development of assets under management of
 asset management companies (in CHF billion)

Fiduciary sector

The Liechtenstein fiduciary sector plays an important role in offering asset solutions. Liechtenstein professional trustees serve as advisors to their clients in various areas of asset preservation and structuring and also as persons of trust.

The activities of professional trustees include in particular the formation of legal persons, companies, and trusts, the assumption of board mandates under Article 180a of the Law on Persons and Companies (PGR), the assumption of trust mandates, accounting and reviews, as well as financial, economic, and tax advice.

As of the end of 2019, 151 professional trustees and 245 trust companies in Liechtenstein were licensed in those capacities. Additionally, 216 persons held a licence under the 180a Act at the end of 2019. The activities of persons licensed under the 180a Act include the assumption of board mandates under Article 180a of the Law on Persons and Companies Act (PGR).

	2015	2016	2017	2018	2019
Professional trustees	115	139	146	152	151
Trust companies	263	257	250	243	245

Figure 17
Professional trustees and trust companies

Financial intermediaries and products supervised by the FMA

Financial market participants and products supervised by the FMA	2018	2019	Licences issued in 2019	Market exits in 2019
Banking Division				
Banks	14	14	0	0
Investment firms	1	0	0	1
Payment institutions	0	0	0	0
Liechtenstein Postal Service	1	1	–	–
External auditors	5	5	0	0
Electronic money institutions	4	5	1	0
Securities and Markets Division				
Asset management companies	109	106	3	6
<i>IUG</i>				
Active asset management companies (MCs)	5	3	0	2
Domestic investment funds	35	27	0	8
External auditors	6	8	3	1
<i>UCITSG</i>				
Active management companies (MCs)	12	12	0	0
UCITS	223	224	15	14
Audit firms	11	11	1	1
<i>AIFMG</i>				
Large AIFMs	14	15	1	0
Small AIFMs	0	0	0	0
Administrators	0	0	0	0
Risk managers	1	1	0	0
Selling agents	2	1	0	1
AIFs	231	265	63	29
Audit firms	10	10	1	1
Insurance and Pension Funds Division				
Insurance undertakings	38	37	1	2
External auditors under the VersAG	10	10	0	0
Insurance intermediaries	57	54	2	5
Pension schemes	18	17	0	1
External auditors under the BPVG	14	13	0	1
Pension insurance experts under the BPVG	18	17	0	1
Pension funds	4	4	0	0
Anti-Money Laundering and DNFBP Division				
Professional trustees	152	151	5	6
Trust companies	243	245	11	9
Auditors	43	43	3	3
Auditors established in Liechtenstein	4	5	1	0
Audit firms	28	28	1	1
Patent lawyers	6	5	0	1
Patent law firms	3	3	0	0
Persons with a licence under the 180a Act	211	216	17	12
Casinos	2	4	–*	–*

Figure 18 Financial market participants and products supervised by the FMA

* Licensing by the Office of Economic Affairs, due diligence supervision by the FMA

Financial intermediaries supervised by the FMA under the free movement of services

Financial market participants supervised by the FMA under the free movement of services	2018	2019
Banking Division		
Free movement of services of EEA banks	249	263
Free movement of services of EEA investment firms	2 110	2 172
Free movement of services of EEA payment institutions	312	376
Free movement of services of electronic money institutions	179	222
Free movement of services of EEA-regulated markets	16	16
Branches of EEA investment firms	1	0
Insurance and Pension Funds Division		
Free movement of services of EEA and Swiss insurers	392	419
Branches of Swiss insurers	11	17**
Branches of EEA insurers	2	2
Securities and Markets Division		
Free movement of services of EEA investment undertakings	348	441
Free movement of services of EEA management companies	22	77
Investment undertakings with third-country market authorisation	11	12
Anti-Money Laundering and DNFBP Division		
Auditors engaged in free movement of services	40	38
Audit firms engaged in free movement of services	18	18
Patent lawyers engaged in free movement of services	2	2
Patent law firms engaged in free movement of services	0	1

Figure 19
*Financial intermediaries supervised by the FMA
under the free movement of services*

** Change of counting method effective 1 January 2019 from number of physical establishments to number of notified establishments

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