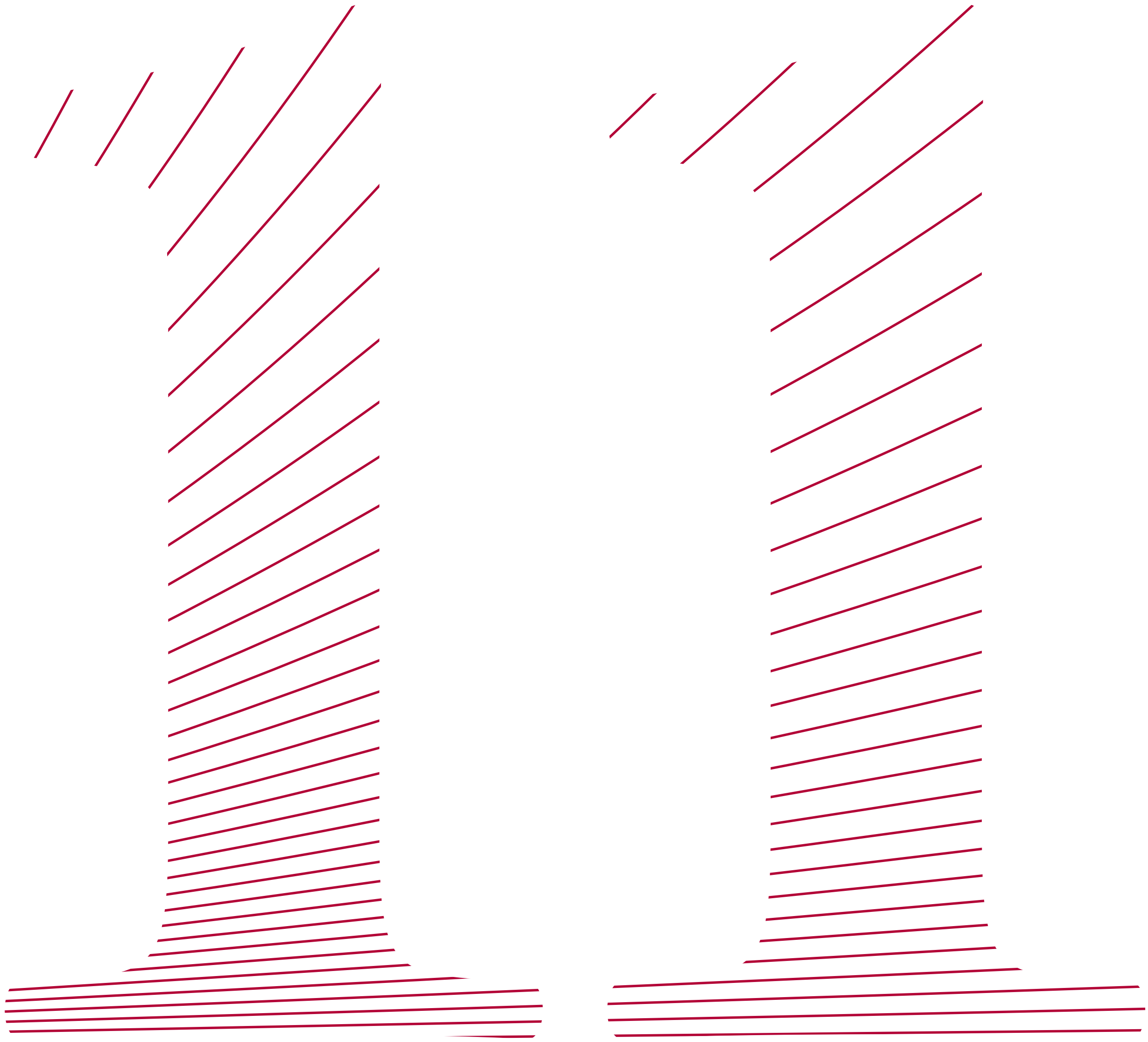
FMA

Financial Market Authority
Liechtenstein



Annual Report 2011

The FMA is the independent financial market supervisory authority of Liechtenstein, ensuring the stability and credibility of the financial market, the protection of clients, and the prevention and prosecution of abuse.

We supervise efficiently, consistently, and effectively.

We stand for sustainable regulation.

We pursue active dialogue.

We think and act entrepreneurially.

We respect and value each other within our team.

- We are independent in the fulfillment of our supervisory mandate.
- We grant licenses in a responsible and speedy manner, and our supervision is risk-based, close to the market, comprehensible, and fair.
- We orient ourselves by the best methods and practices of an integrated supervisory authority.
- We fight abuse and consistently punish violations of regulations and laws. In this way, we protect the clients of the financial center and contribute to its good reputation and credibility.

- We define minimum standards through regulation and further specify laws and ordinances with guidelines and instructions. For this purpose, we especially involve the professional and industry associations.
- We implement and enforce international standards. In doing so, we take account of the competitiveness and development of the financial center.
- We stand for a good regulatory framework for the financial center and advise the Government on questions relating to financial market strategy.

- We engage in dialogue with our national and international stakeholder groups. We ensure that we are recognized as a competent and reliable supervisory authority in Liechtenstein and abroad.
- We contribute to international bodies and promote cooperation with other supervisory authorities. We represent Liechtenstein's interests in this regard.

- We always follow the rules and practices of responsible and modern corporate governance. We employ our financial resources cost-effectively and efficiently.
- We offer our employees an environment where they enjoy to work for the long term, and we promote their skills through basic and continuing training.
- We communicate in a businesslike, transparent, and speedy manner as an enterprise.

- We are a team, actively valuing each other in our interactions, and we identify with our goals and responsibilities.
- We are proud to make a contribution to the success of the FMA and the Liechtenstein financial center.

Dr. Urs Philipp Roth-Cuony
Chairman of the Board of Directors

The FMA Liechtenstein was reorganized in 2010. 2011 was therefore a test of the new structures. The supervisory authority passed this test with flying colors in a challenging environment marked by the financial center's transformation process and the international upheaval in the financial sector. With the FMA, Liechtenstein has a professionally endowed and well-positioned supervisory authority at its disposal.

Activities of the Board of Directors

In the reporting year, the Board of Directors met for 12 regular and one extraordinary meeting. Additionally, the Nomination and Compensation Committee met five times and the Audit Committee met twice. On a Strategy Day of the Board of Directors, the FMA's strategic orientation adopted in 2010 was reviewed and adjusted to new developments. During this retreat, the Board of Directors concluded the strategic projects initiated in 2010 in the areas of organization, cost management, risk management, communication, IT, and transformation of the financial center, and it delegated achievement of the goals to the scope of responsibility of the operational level. The Board of Directors reviews compliance with the goals by requesting targeted reports from the Executive Board.

In accordance with its legal mandate, the Board of Directors advised the Government on financial market strategy. The focus was on the financial center's transformation process. This task was administered directly by the Chairman of the Board of Directors. The Board of Directors also expended resources on integrating the FMA into the relevant organizations at the global and European level and on cultivating international contacts. Monitoring of the operational level was ensured by introducing a Management Information System (MIS) and the intensive exchange between the CEO and the Chairman of the Board of Directors.

Achievement of strategic goals and outlook

The FMA must be permanently established as a strong, internationally recognized supervisory authority. In this way, it makes a positive contribution to the attractiveness and credibility of the Liechtenstein financial center. For this purpose, the integration of the supervisory authority in all the relevant global and European organizations is of fundamental importance. In the reporting year, the FMA achieved membership in the International Organization of Securities Commissions (IOSCO). IOSCO is the internationally recognized standard-setter in the field of securities supervision and the most important cooperation forum worldwide for securities supervision authorities. The FMA's membership in IOSCO strengthens the international integration of the financial center and facilitates market access for Liechtenstein financial intermediaries to foreign markets. At the European level, the FMA achieved observer status at the European Securities and Markets Authority (ESMA). ESMA is an independent authority of the EU entrusted with the supervision and regulation of trading in securities within the EU. This integration was achieved as a consequence of last year's adjustments to the administrative assistance provisions relating to securities. The FMA is already represented in the two other authorities of the new European supervision system: the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA).

In the area of supervision, the expansion of group supervision within the framework of international standards was advanced. The focus was also on risks arising from the cross-border business of financial intermediaries and monitoring of the financial center's transformation process. The Board of Directors believes that guaranteeing stability, strengthening the reputation of the financial center, and ensuring access to international markets for Liechtenstein financial intermediaries are key prerequisites for a successful transformation of the financial sector. The focus of the Board of Directors is therefore on these three topics.

Based on the IT strategy adopted in 2010, the first IT projects have been initiated and appropriate systems evaluated. Introduction of the new systems will occur predominantly in 2012 in close consultation with the IT office of the National Public Administration.

Regulation

A service agreement was concluded in the reporting year with the Government concerning the participation of the FMA in regulatory projects. In this agreement, the FMA agreed in line with the owner's strategy to support the Government in financial market regulation. In 2011, the FMA contributed its expertise to various regulatory projects such as fund legislation and the new insurance supervision legislation for Solvency II.

The financial crisis resulted in extensive regulatory projects at the global and European level, many of which will have to be implemented into national law over the coming years. With the entry into force of the new fund law, the UCITS Act, an important regulatory project has been implemented. In light of the sheer volume of the new legislative projects, it is a special challenge for the national supervisory authorities of smaller financial centers with limited resources to enforce these regulations in accordance with international supervision standards.

Corporate governance

With the entry into force of the Law on the Steering and Supervision of Public Enterprises (Public Enterprise Act, PEA) in 2010, the Board of Directors implemented numerous requirements and goals relating to corporate governance. In the reporting year, the project initiated in 2010 to introduce an internal control system (ICS) was concluded. The ICS is now operative. The system is intended to contribute substantially to achievement of the FMA's goals by systematically inspecting and monitoring operative business processes. A Strategy Day will also take place each year, in which the short- and medium-term goals of the FMA will be reviewed and adjusted to new circumstances, on the basis of the Government's owner's strategy.

Changes to the composition of the Board of Directors and the Executive Board

On both the Board of Directors and the Executive Board, several staffing changes took place in 2011. Peter Huber resigned from the Board of Directors effective 30 June 2011 due to a professional change and his relocation abroad. He was replaced by Dr. Ivo Furrer, Member of the Corporate Executive Board and CEO Switzerland of the Swiss Life Group. Effective the end of 2011, Michael Lauber resigned as Chairman of the Board of Directors. He was elected by the Swiss Parliament as the new Attorney General of Switzerland in autumn 2011. The Government appointed Dr. Urs Philipp Roth-Cuony as the successor of Michael Lauber effective 1 January 2012.

Tobias Wanner resigned from the Executive Board. CEO Mario Gassner headed the Securities Division ad interim until 31 December 2011. Effective 1 January 2012, the Board of Directors appointed Marcel Lötscher as the new Head of the Securities Division and Member of the Executive Board. Additionally, the Board of Directors appointed Robert Rastner as the new Head of the Other Financial Intermediaries Division and Member of the Executive Board effective 1 August 2011.

2011 financial statement

In its meeting of 21 December 2010, the Government approved the 2011 FMA budget with a state contribution of CHF 10 million and expenses totaling CHF 19.27 million. The actual expenses in the 2011 business year amounted to CHF 18,415,749. This was 4.4% below the approved budget. The new financing basis of the FMA has been in effect since 1 February 2011. The new system was implemented in a timely manner.

Mario Gassner
Chief Executive Officer

Supervision

The Liechtenstein financial center proved itself to be stable and secure in the year 2011. Banks and insurances enjoy a good to very good equity capital situation. As already last year, the number of intermediaries working in the Liechtenstein financial center changed only very insignificantly.

One focus of supervision was the expansion of consolidated supervision of internationally operating financial institutions within the framework of new international standards. The FMA carried out on-site audits of foreign subsidiaries and broadened cooperation with the competent supervisory authorities. In 2012, the FMA will for the first time be engaged in Colleges of Supervisors envisaged as part of the modernization of the EU Banking Directive.

Due to the small local market, Liechtenstein financial intermediaries have a strong international orientation. This cross-border activity gives rise to reputation and legal risks for the institutions. The FMA attaches great importance to the risks arising from cross-border business. Accordingly, it engages in an intensive dialogue with banks and insurances and imposes measures within the scope of its responsibilities. The FMA pays special attention also to risks arising from the financial center's transformation process, such as risks of abuse or circumvention.

Administrative assistance was adjusted to international standards in 2010. The new regulations entered into force on 1 January 2011. They have fundamentally transformed the administrative assistance process with regard to securities supervision. The number of requests for administrative assistance by foreign authorities remained at the previous year's high level. The transmission time was reduced by half thanks to the new procedure. The Administrative Court approved execution of administrative assistance in all cases. The FMA believes that granting of administrative assistance is very important for the reputation of the financial center.

Guaranteeing the stability of the financial center and its institutions is a key responsibility of the FMA. Stability risks arose in the reporting year from the debt crises of various EU countries and the associated stability risks for the international banking system. The FMA is represented in an expert group of the Government which concerns itself in depth with questions relating to systemic stability.

Regulation

In the wake of the financial crisis in 2008, governments have reacted by tightening regulation of the financial markets. The debt crises in several EU countries and the resulting destabilization of the European financial sector in the reporting year have further accentuated this trend. The adoption and implementation of numerous EEA-relevant EU enactments into national law will continue to make high demands on Liechtenstein.

In October 2011, for instance, the EU Commission presented proposals for a more far-reaching regulation of financial markets and investment services. The existing regulatory framework of the Markets in Financial Instruments Directive (MiFID) will be retained, but a fundamental revision of the content is planned. The changes will concern additional and more far-reaching regulation of financial transactions, trading activities, and trading centers, and will also establish supplementary and stricter requirements on the provision of investment services. This project alone already gives an idea of the work awaiting legislators, supervisory authorities, and financial intermediaries.

The FMA participated in numerous regulatory projects in the reporting year. The new fund law, the UCITS Act, entered into force on 1 August 2011. The licensing and supervisory processes were adjusted accordingly. In the reporting year, work on implementation of the AIFM Directive also began. The FMA is participating actively in a project group constituted by the Government. The AIFM Directive will be implemented by the end of 2012, according to the Government's schedule. The AIFM Act is scheduled to enter into force on 1 April 2013.

With respect to banking, the extensive CRD Directives I, II, and III (Capital Requirements Directives) have been implemented into Liechtenstein law. The directives modify the directives known as Basel II, inter alia by partially revising and supplementing the equity capital and risk management requirements set out therein.

On 24 May 2011, the FMA presented the consultation draft for a totally revised Insurance Supervision Act and opened the consultation procedure at an opening event in Schaan with high-level national and international participants. The Solvency II Directive is to be implemented into Liechtenstein law by 1 January 2013.

In December 2011, the FMA and the Association of Professional Trustees agreed on the basic framework for better regulation and supervision of professional trustees. A draft law to this effect was submitted to the Government in spring 2012. By adjusting the Professional Trustees Act, the Association of Professional Trustees and the FMA aim to strengthen the reputation of the Liechtenstein fiduciary sector and improve international acceptance. In the reporting year, the legislative work on regulation and supervision of persons under article 180a PGR also began. By establishing supervision along with the appropriate mechanisms for imposing penalties and withdrawing licenses, Liechtenstein is closing a gap in its supervision system.

External relations

In April 2011, the FMA Liechtenstein was accepted as a full member of the International Organization of Securities Commissions (IOSCO). In May 2011, it was invited by the European Securities and Markets Authority (ESMA) to take part as an observer in the Board of Supervisors, the committees, and the working groups. In both cases, the condition for participation was adjustment of the administrative assistance provisions to the international standard.

The FMA is thus represented in all European financial market supervisory authorities and important international organizations dealing with questions of supervision. This international integration is a precondition for recognition of the FMA's equivalence by foreign supervisory authorities and access of Liechtenstein financial intermediaries to international financial markets.

The European supervisory authorities EBA, ESMA, and EIOPA began their operational activities the beginning of 2011. Due to the numerous regulatory projects and the harmonization of financial supervision in the European single market, the FMA expects various effects and additional work for the national supervisory authorities. Initial experiences in the reporting year have confirmed this expectation. The increasing internationalization and harmonization of supervision of financial markets is a particularly great challenge for the supervisory authorities of smaller financial centers with their limited resources. The role of the EEA/EFTA states in this new European supervisory system had still not been conclusively defined by the end of 2011. The negotiations with the EU Commission were still underway.

Together with the authorities and representatives of the business associations, work was initiated in the reporting year to prepare the country assessment of Liechtenstein's money laundering standards. The assessment will be conducted the end of 2012 by the IMF and Moneyval. A positive outcome of the assessment is very important for the international recognition of Liechtenstein's measures to combat money laundering.

Enterprise and team

The FMA was reorganized in 2010. The reporting year showed that the FMA is able to fulfill its responsibilities efficiently and effectively under the new organizational structure. In the previous year, various instruments for a modern corporate governance were also established which became operational in 2011.

With the FMA's relocation to a new office building in Vaduz in December 2010, staff members were again united under the same roof in the reporting year, and a modern infrastructure was at their disposal. This met an important condition for intensifying cooperation across divisions. With the introduction of various IT systems and a high-performance intranet as part of the IT strategy, integrated supervision is being further strengthened. Various systems were evaluated in this regard in 2011.

With respect to staff development, management principles were established in the reporting year so that a uniform understanding of management will be created for management staff. To strengthen management skills, management training has been offered for members of the management staff.

The financing basis for the FMA, which was revised in 2010, entered into effect on 1 February 2011. The FMA has reflected the new legislative requirements in its internal processes and implemented them in a timely manner.

As of 31 December 2011, the FMA had 80 employees with 73.9 full-time equivalents. Compared with the previous year, fluctuation was reduced by more than half. The share of Liechtenstein employees was again slightly increased and is now at 28%.

1.1 Banking Division

1.2 Securities Division

1.3 Insurance and Pension Funds Division

1.4 Other Financial Intermediaries Division

1.1 Banking Division

1.1.1 Banks

Licenses

Several inquiries regarding the establishment of a bank or investment firm were addressed to the FMA in the reporting year. The FMA also received a greater number of questions regarding the establishment of a payment institution or e-money institution. No license applications were submitted in 2011, however.

The FMA continues to accompany the voluntary liquidation of Alpe Adria Privatbank AG i.L., Schaan, which was decided in 2009. From today's perspective, the liquidation is likely to extend into the second quarter of 2013.

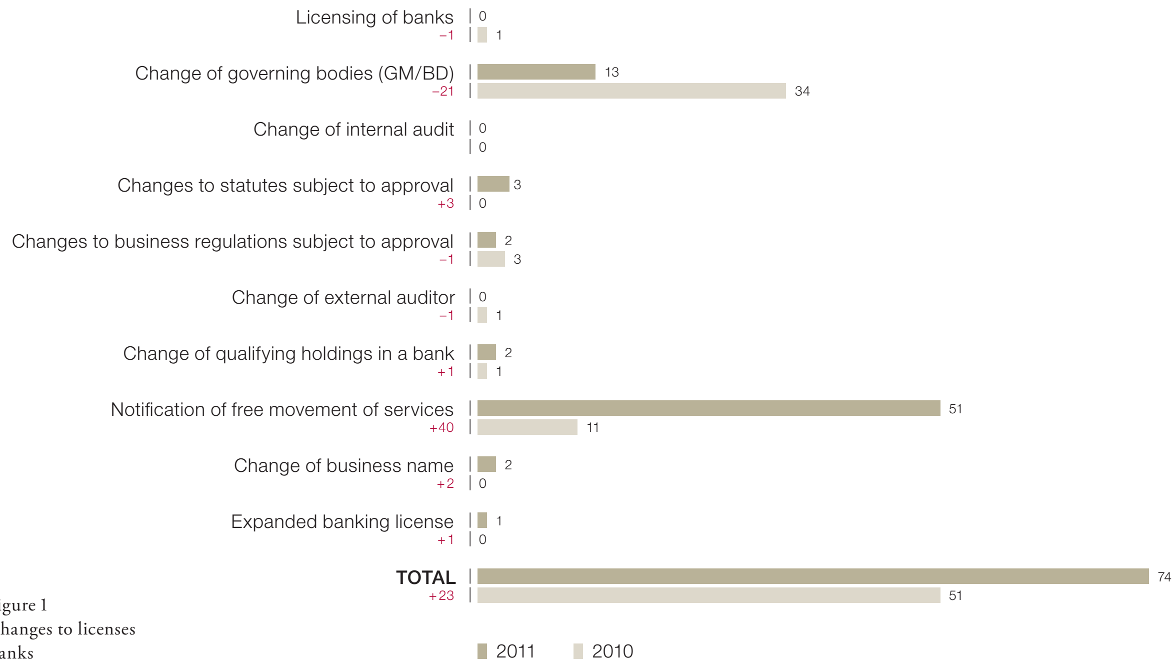


Figure 1
Changes to licenses
Banks

Ongoing supervision

Auditing

In its supervision of banks and investment firms under the dualistic supervision system, the FMA relies predominantly on reports by external auditors. Nevertheless, the FMA increasingly carries out its own audit activities at the financial intermediaries' premises. The analysis of audit reports under the Banking Act as of 31 December 2010 indicated that external auditors identified and objected to 13 deficiencies. The number of objections thus corresponds approximately to the 14 objections recorded in the previous year.

Management meetings

As in previous years, the FMA conducted a management meeting with each bank, in which a member of the general management and a member of the board of directors of the bank took part. Focus areas were current topics such as the business development of the bank, risks arising from cross-border activities of the banks, e.g. FATCA, a look back on the first year of work of the European Banking Authority (EBA), as well as regulatory developments in Liechtenstein and the European Economic Area.

Inspections under the Due Diligence Act

Pursuant to the Due Diligence Act, regular inspections on behalf of the FMA are carried out by the external auditors. The number of objections rose from 18 in the previous year to 29. Additionally, the FMA carried out extraordinary inspections itself.

Auditor workshops

The annual bank auditor workshop took place in May. Topics included insights from the DDA inspections that the FMA had accompanied and conducted the previous year, reporting obligations of the auditors, consolidated supervision by the FMA, ICAAP (Internal Capital Adequacy Assessment Process), and cross-border risks. Current changes to the regulatory framework were also examined, such as the Payment Services Act and the changes to the Capital Requirements Directive. Also discussed were the recent and upcoming changes to audit conditions due to implementation of the Statutory Audit Directive, the associated amendments to special legislation, and FMA Communication 12/2009 (reporting on bank audits).

Reporting

Also in 2011, the risk assessment process within the divisions took place predominantly on the basis of regular reporting. Exposure in the interbank market and the possible overheating of the core real estate markets again played a central role in the reporting year. On the basis of the reports submitted, internal stress tests were also carried out, which showed that the situation of Liechtenstein institutions continues to be stable with respect to capital adequacy and liquidity. Most of the institutions already met the requirements in the reporting year that Basel III will in future expect of banks.

In 2011, early information was expanded to include important data relating to client structuring (on an anonymous basis). This makes it possible for the FMA to assess legal risks that banks might be exposed to due to their client structure. Regular reporting was supplemented by extraordinary, non-periodic reports on this topic.

Vaduz

Further development of the reporting platform

In the reporting year, the electronic reporting platform was changed only insignificantly with respect to minor subcomponents. The internal process for analyzing reporting data and the automatic processing of raw data from the electronic reporting platform were improved significantly, however. These measures strengthen the already high quality of internal evaluations and make efficient reporting on all levels possible.

Supervisory practice

If, in the course of its ongoing supervision activities, the Banking Division gains knowledge of deficient implementation of banking law provisions, the necessary measures are seized to restore a normal, lawful state of affairs.

Measures were triggered last year primarily by objections raised in audit reports, inquiries by other supervisory authorities, relevant indications of possible grievances in media articles, reports to the FMA, and the supervision activities of other divisions within the FMA. Investigations were carried out in 2011 relating to deficient compliance with regulatory requirements, violations of the Due Diligence Act, and suspicion of market abuse. The Internal Capital Adequacy Assessment Process (ICAAP) was carried out under the new system in 2011 for the first time and adjusted more closely to the European standards. Additionally, cooperation was intensified with other European supervisory authorities within the framework of notification cooperation and the "Colleges of Supervisors".

Supervision pursuant to special legislation was again carried out in 2011 by external auditors, while the FMA accompanied them and monitored quality. Supplementary discussions with the head auditors completed the overall picture.

Additionally, workshops for external market participants were again carried out in 2011, dealing with various questions of importance to auditors and banks, such as new regulatory developments.

The Banking Division did not impose any fines in the reporting year. However, several violations were reported to the Office of the Public Prosecutor.

Combating abuse

Providing banking services as referred to in article 3 of the Banking Act is subject to approval in Liechtenstein. These services may not be provided without an appropriate license. Violations are punished by the Court of Justice. The FMA monitors compliance with these provisions. For this purpose, it pursues all indications of activities by non-licensed financial service providers. In particular, the FMA also receives reports by the individual financial market participants.

The FMA carried out numerous inquiries on the basis of various indications or its own observations in regard to suspicion of abuse. In the reporting year, the FMA determined several violations by persons conducting banking activities without a proper license. Abuses noted by the FMA can be combatted through intervention by the FMA, contact with foreign authorities, and also warnings on the FMA's own website. In the reporting year, two such warnings were published. Additionally, 12 cases of market abuse and activities without a license were investigated, and six requests for administrative assistance were transmitted to foreign supervisory authorities.

Operational focus areas

Payment service providers

As part of implementation of Directive 2007/64/EC into the national Payment Services Act (PSA) as of 1 November 2009, a new financial intermediary, the "payment institution", was created. In addition to an increased number of inquiries regarding establishment of a payment institution, further efforts were undertaken in 2011 to find solutions to issues arising especially due to Liechtenstein's participation in the Customs and Currency Treaty with Switzerland and its simultaneous membership in the EEA.

Changes relating to CRD I to III

The adjustments to capital and risk management requirements as well as rules governing compensation policy/practice and international cooperation of supervisory authorities within the framework of implementing the CRD complex led to increased need for information on the part of banks. Additionally, the relevant supervisory processes and instruments had to be developed, in order to meet the new obligations arising for both financial intermediaries and the FMA.

Cross-border risks

In light of the limited scope of the local market, banks in Liechtenstein are heavily oriented toward cross-border financial services. This results in risks which, as the financial crisis showed, may even amount to an existential threat. The FMA thus regularly draws the banks' attention to the relevant risks, communicates its expectations in connection with the provision of cross-border services, and intervenes on a case-by-case basis within the scope of its responsibilities.

Systemic relevance

In light of Liechtenstein's low GDP in relation to the balance sheet totals of the banks, the systemic relevance of banks is a particularly important issue for Liechtenstein. The topic is approached comprehensively in cooperation with the relevant authorities and market players to ensure the continued systemic stability of the Liechtenstein financial center.

Consolidated supervision

The FMA must continue to strengthen ongoing supervision of financial institutions engaged in cross-border business, especially also due to the legal changes in this field and the continuingly increasing internationalization of Liechtenstein banks. In 2011, cooperation with the competent supervisory authorities for foreign group companies of Liechtenstein banking groups was expanded. The FMA also carried out on-site audits of foreign subsidiaries.

Supervision of audits

As part of the national implementation of Directive 2006/43/EC, the Statutory Audit Directive, external auditors are now subject to FMA supervision. This has resulted in changes to the associated audit processes. Additionally, cooperation with foreign supervisory authorities in the field of audit supervision was strengthened, especially to make use of potential synergies in the supervision of auditing companies engaged in cross-border business.

Outlook

The difficult economic situation and the continuing uncertainty regarding the future of the European currency are having a negative effect on client assets and the earnings situation of banks. This development must be kept in particular focus in the context of the stability and continuity of a bank. Another risk arises from the cross-border activities of the banks. The challenge for supervision is to recognize these risks early on, to assess them correctly, and to seize the necessary measures to ensure client protection and the stability of the Liechtenstein financial center.

In 2012, the FMA will consolidate the results from the discussions and clarifications relating to the topic of systemic stability and document them in accordance with its mandates. The "too big to fail" problem represents a particular challenge for small national economies with a relatively large financial center.

For the banks as well as for the supervisory authority, the wave of upcoming new regulations such as Basel III, FATCA, and European guidelines will require substantial human resources. The further expansion of consolidated supervision and cooperation with foreign supervisory authorities will continue to be a focus of supervisory activities in 2012. In 2012, the FMA will for the first time be engaged in the "Colleges of Supervisors" envisaged as part of the modernization of the Banking Directive. The focus of these colleges is information exchange among the supervisory authorities of banking groups and group-wide risk assessment.

Also in the field of money laundering, the FMA will use its resources in a targeted manner to audit and enforce compliance with the legal provisions.

1.1.2 Administrative assistance

Administrative assistance, especially in the international context, is a challenging supervisory responsibility and of the utmost importance to the reputation of the financial center. On 1 January 2011, the new administrative assistance rules set out in the Financial Market Authority Act (FMA Act) entered into force.

The administrative assistance procedures under the old rules (set out in the Market Abuse Act, MAA) had previously been perceived to be cumbersome and time-consuming by foreign authorities. Procedural requirements under the old administrative assistance provisions, such as the obligation to inform the client and the client's right of appeal, were met with a lack of understanding by the requesting authorities and led to delays in the granting of administrative assistance. The Government therefore elaborated the administrative assistance provisions under the FMA Act with the goal of meeting the administrative assistance standards of the International Organization of Securities Commissions (IOSCO) to the greatest extent possible.

According to the provisions of the FMA Act, the request of the foreign authority is now reviewed and approved by an individual judge of the Administrative Court. Only once this approval has been granted may the FMA obtain and subsequently transmit the information. Once administrative assistance has been rendered, the person concerned is notified of the procedure and granted the rights of a party. Although the new procedure certainly entails far more procedural steps and requires a substantial use of resources, it nevertheless permits significantly faster responses to requests, since there are no delays in the transmission of information due to appeals. Only with the new provisions in the FMA Act did the FMA's membership in IOSCO even become possible in April 2011.

2005	12
2006	15
2007	20
2008	35
2009	27
2010	46
2011	46

Figure 2
Number of requests for administrative assistance received

A total of 46 requests for administrative assistance were transmitted by foreign supervisory authorities to the FMA. The massive increase in the previous year was thus confirmed at the same high level in the reporting year. In all cases, the Administrative Court approved the granting of administrative assistance – this is partially due to the fact that the FMA always insists on sufficiently justified requests by the foreign authorities. Compared with the previous year, which was already characterized by the same high number of requests for administrative assistance, the number of information exchanges increased slightly again in 2011. While a total of 38 administrative assistance procedures (including requests from the year 2009) were concluded in 2010, 39 requests for administrative assistance under the FMA Act were answered in 2011, along with 9 administrative assistance procedures from the previous year in accordance with the MAA. The number of completed procedures thus rose by 23% (10 procedures more than in the previous year). Additionally, it should be noted that the FMA now meets the timeframe considered adequate by IOSCO: The foreign authority receives the requested information within 8 weeks; the duration of transmission has been halved from 111 to 56 days. This marked development against the backdrop of a high number of cases is due to the new administrative assistance procedure, which has also met with a positive response by the foreign authorities.

Figure 3
Reasons for
procedural requests

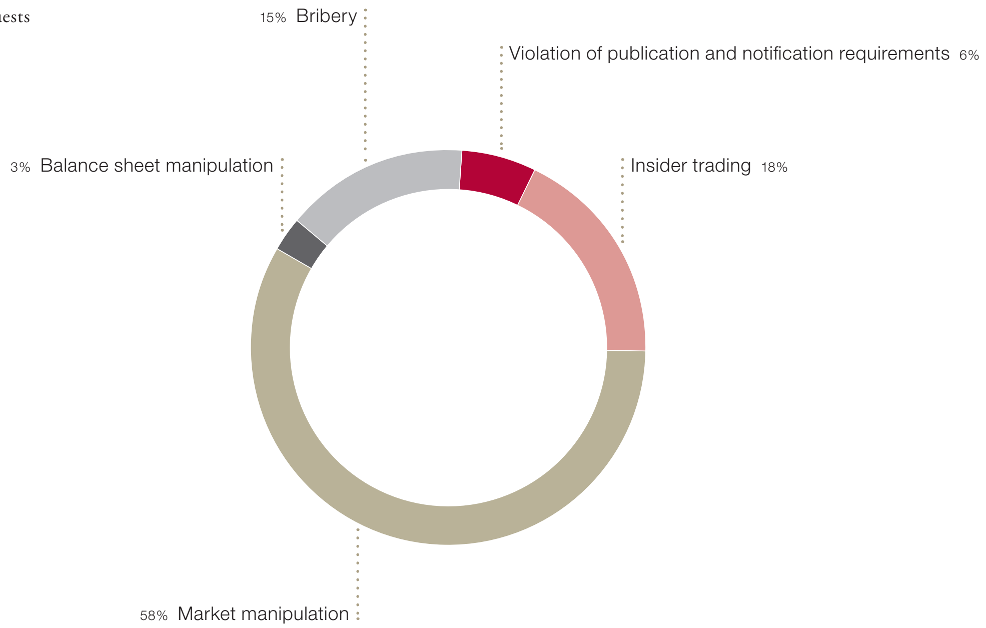
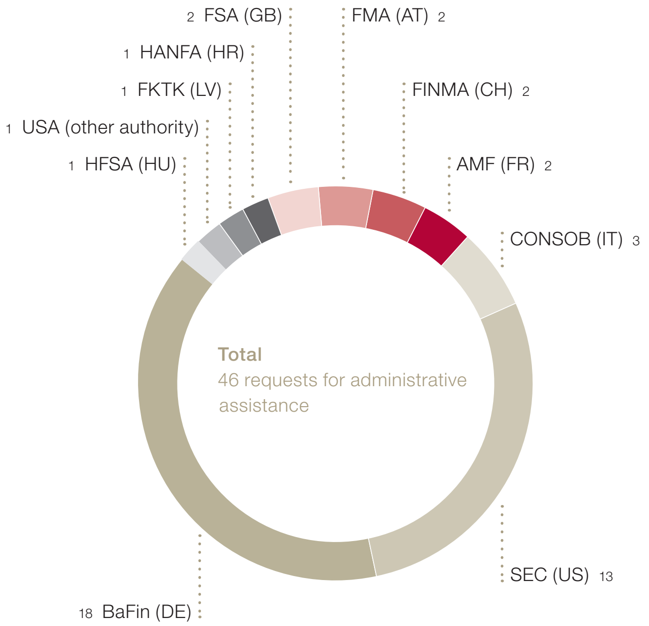


Figure 4
Requests for administrative
assistance, by authority



1.2 Securities Division

1.2.1 Investment undertakings

Licenses and certifications

Licensing of domestic IUs

The FMA issued 47 licenses for domestic investment undertakings (IUs), three of which for investment companies with variable capital, the others of which for investment funds in the legal form of a collective trusteeship. One of these IUs was issued as a closed fund with a prospectus approved in accordance with the Securities Prospectus Act (SPA). No new fund managements were approved.

Taking liquidations and deletions into account, the number of Liechtenstein IUs rose by 66 to 535 by the end of 2011. At the end of 2011, 535 domestic IUs representing 785 individual funds were licensed. They were managed by 22 management companies (MCs), of which 21 are fund managements and 1 is a self-managing investment company.

More than 162 changes to prospectuses were approved (not counting changes of prospectuses of IUs for qualified investors). In total, 16 new segments were created, 26 (previous year: 57) delegations were changed, 4 changes were undertaken to custodian banks and 10 to external auditors, 10 changes concerned the type of the investment undertaking, multiple foreign assets were transferred into Liechtenstein IUs, and 36 changes concerned the names of individual funds.

Licensing of foreign IUs

The number of foreign IUs licensed for marketing in Liechtenstein grew slightly, taking account of mergers, non-launches, and liquidations. At the end of 2011, 198 foreign IUs (previous year: 193) with a total of 1,034 individual funds were licensed for marketing. They encompassed 114 UCITS-compatible IUs and 84 non-UCITS from the EEA or IUs from third countries. Meanwhile, 9 foreign MCs have notified their free movement of services in Liechtenstein.

Category	31.12.2007	31.12.2008	31.12.2009	31.12.2010	31.12.2011	+/–
Active MCs	27	28	27	24	22	–2
of which fund managements	20	21	21	21	21	0
of which investment companies	7	7	6	3	1	–2
Domestic IUs	303	363	411	469	535	66
of which IUs for securities	97	127	127	153	177	24
of which IUs for other values	137	157	173	171	177	6
of which IUs for qualified investors	69	79	111	145	181	36
Foreign IUs	246	219	191	193	198	5
Auditing companies	10	12	11	11	11	0

Figure 5
Management companies and investment undertakings (number pursuant to Investment Undertakings Act)

Licensing of persons entitled to market units

In addition to the persons entitled to market fund units in Liechtenstein that are enumerated in the IUA and hold a license under that specialized legislation, 12 legal persons and 1 natural person were likewise entitled to market units at the end of 2011 pursuant to explicit approval.

Ongoing supervision

Auditing

As part of indirect supervision, 202 audit reports pursuant to the IUA were evaluated. The reports contained 45 objections. During the following regular audit, the facts in question will be specially audited and noted separately in the audit report. As part of direct supervision, on-site inspections were also carried out and management meetings were held with management companies.

Reporting

In addition to the audit reports, MCs must submit additional periodic reports on the IUs they manage to the FMA or publish such reports. These include semi-annual and audited annual reports as well as quarterly notifications providing information on changes to net assets and the number of units. In 2011, 2,433 quarterly notifications were compiled and evaluated.

Supervisory practice

Where fund law provisions are violated or inadequately complied with, the securities supervision seizes prudential measures to restore a lawful state of affairs. The bulk of the seized measures were in connection with a failure to maintain the minimum net assets.

Supervision cases

The FMA dealt with several supervision cases, which also drew public interest:

- MS Invest AGmvK: MS Invest AGmvK is an externally managed investment company which includes Money Service Group. The investment company was not spared the publicly known turbulences involving Money Service Group. This manifested itself in such a way that the personnel and organizational requirements under the IUA could no longer be met, so that MS Invest AGmvK entered liquidation. So far, no investments have been determined to be affected by the accusations of embezzlement made against Money Service Group.

- Minerva Investments AG: Minerva Investments AG is a fund management under the IUA domiciled in Liechtenstein. Several media reports drew the FMA's attention to Intevo Fund, which was managed by Minerva Investments AG and licensed for marketing throughout Europe, including in Germany and Austria. The accusations indicated a connection between the domestic fund and a German case of investor fraud, so that the FMA initiated measures under supervision law. The management company initiated the liquidation of Intevo Fund. The management company in turn entered bankruptcy.

Combating abuse

In the context of combating abuse relating to investment undertakings, the FMA dealt with ongoing market supervision as well as clarifications whether certain business models fall within the scope of fund law and thus require a license under the IUA or the UCITS Act. No misuse of fund structures or fund names was found.

Operational focus areas

Implementation of the UCITS Act

In the reporting year, Directive 2009/65/EC (on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities) was implemented in the form of the UCITS Act and the corresponding UCITS Ordinance. With the entry into force of the UCITS Act on 1 August 2011, investment undertakings for securities were removed from the scope of the IUA and given separate regulations. In addition to participating in the implementation, the FMA's work involved adjusting ongoing processes to the new rules. Especially in regard to licensing, the time-to-market idea of the UCITS Act was taken account of with the help of application forms. With

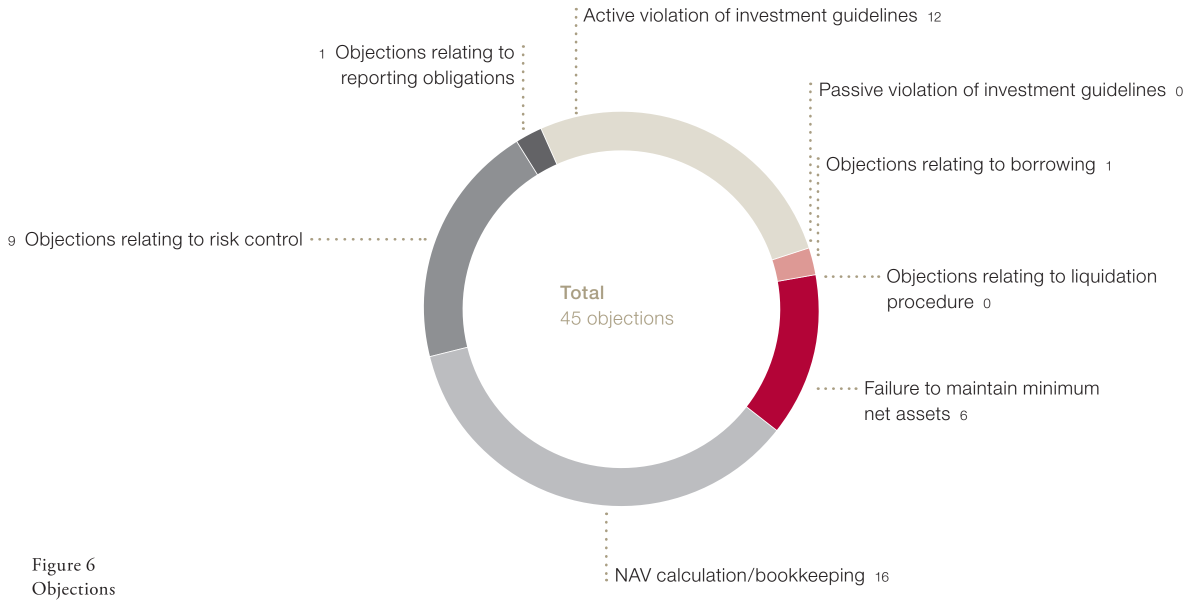


Figure 6
Objections
by category

respect to ongoing reporting, a change was made from quarterly to semi-annual reporting, and reporting was expanded to include important questions relating to the organization of the management company.

New supervision approach

The UCITS Act envisages more demanding requirements especially with regard to organization of the management company in terms of compliance, risk management, complaints, and internal audit. This approach is based on the idea of shifting supervision activities away from the product toward the company itself. In consultation with the auditors, auditing by external auditors has also been adjusted to the new legal provisions and in particular to the FMA's new supervision approach.

Outlook

UCITS Act/AIFM Act

Now that the UCITS Act and the UCITS Ordinance entered into force on 1 August 2011 for EU-compatible funds, the focus in this connection is currently on adjusting and optimizing the ongoing supervision processes in light of the new legal provisions. Especially with respect to licensing, the shorter deadlines (licensing of the fund within 10 days) make greater demands on the FMA. In addition to the shorter licensing deadlines, the UCITS Act also makes greater demands on the organization of the management company. In accordance with the directive, the FMA will increasingly shift its supervision approach toward the management company itself.

In addition to adjustment and optimization of ongoing supervision processes in light of the UCITS Act, the year 2012 will focus on AIFM legislation. The FMA is intensively working as an external expert on implementation of the AIFM Directive.

Generally speaking, the greater legal demands on management companies and the FMA mean that the risk-based supervision approach must be strengthened. This also requires more intensive exchanges with intermediaries, especially auditors.

1.2.2 Asset management companies

Licenses

At the end of 2011, 107 asset management companies (AMCs) were licensed in Liechtenstein. This means the total number of AMCs operating in Liechtenstein stayed the same since 2010. After entry into force of the Asset Management Act (AMA) as part of the implementation of Directive 2004/39/EC (MiFID) on 1 January 2006 and strong growth of the number of companies in the following years, the number of AMCs has remained stable since 2009.

In 2011, the FMA issued 6 licenses for AMCs, while 6 expired. 3 applications were withdrawn. The AMCs applied for or notified 68 changes to existing licenses. These encompassed 10 changes of qualifying holdings, 22 changes of governing bodies, 15 changes of the business name or statutes, 9 changes of the external auditor, and 2 other changes. 10 notification applications were submitted to the FMA, and notifications were sent to 12 foreign supervisory authorities. No establishment of a branch in the EEA was notified.

Within the context of granting licenses, the FMA was confronted with issues including the following:

- Absence of a head office of the company in Liechtenstein. Pursuant to talks and explanations of the legal requirements, the application was voluntarily retracted before the final decision on licensing was made.

- Failure to meet the licensing conditions requiring the company to have a suitable place of business in Liechtenstein in terms of staffing. The applicant sought a license for business managers who did not have sufficient experience or qualifications. The application was withdrawn.

- No solid business plan. Applicants sought the grant of a license, but were unable to present solid business plans. The application was withdrawn.

Ongoing supervision

Regular audits pursuant to the AMA

The FMA received 102 audit reports pursuant to the AMA. The auditing companies noted objections and recommendations in the case of 26 AMCs.

Reporting

The AMCs' reporting discipline was stable in 2011. Only in a few cases did the asset management companies fail to meet their reporting obligations and were warned accordingly.

3 AMCs failed to meet their equity capital requirements in the reporting year. The FMA called upon the AMCs to restore a lawful state of affairs. Already at the time of their respective audits, the AMCs had complied with their equity capital requirements again.

As already in the previous year, various AMCs failed to meet their reporting obligations with respect to changes to the general management or external audits. These AMCs were warned by the FMA, and the changes already published in the official notices of the Office of Land and Public Registration were retroactively approved.

Supervision cases

In the course of the incidents concerning the Money Service Group, which were also reported in the media, the associated MS Return AG was submitted to a supervisory audit. The FMA discovered significant organizational deficiencies. MS Return AG entered liquidation.

Figure 8
Objections
as of 31 December 2010

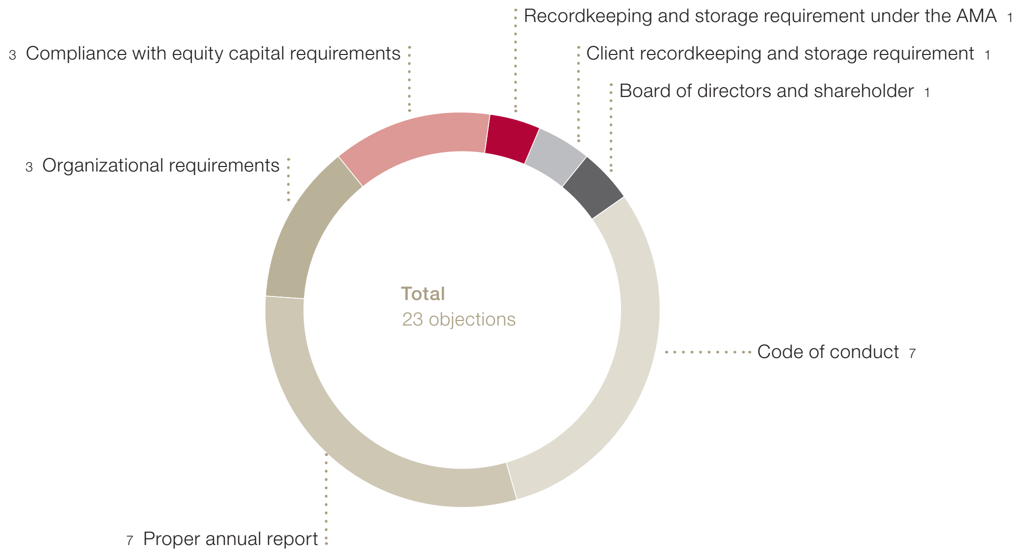
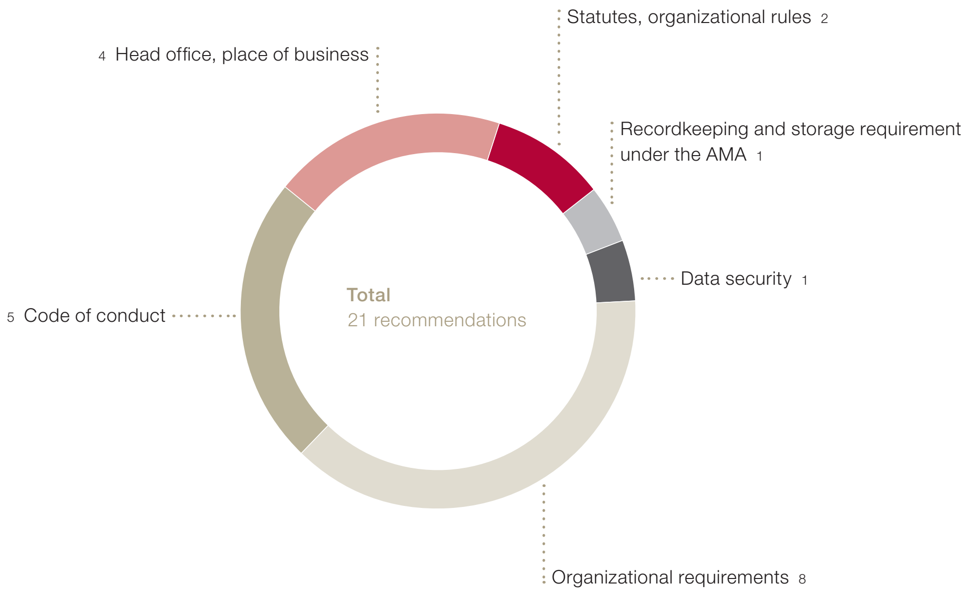


Figure 9
Recommendations
as of 31 December 2010



In the course of the supervisory audit of a Liechtenstein fund management, supervisory violations by an AMC appointed by the fund management were found. The fund management was immediately called upon to restore a lawful state of affairs and to take appropriate precautions to prevent similar incidents.

Another Liechtenstein AMC was the object of several client complaints. The company was then subjected to a supervisory audit, during which massive violations of the Asset Management Act were found. Since it was not possible to restore a lawful state of affairs in a reasonable time, the company discontinued its business and filed for bankruptcy.

Combating abuse

When combating abuse, the securities supervision investigates whether activities subject to a license, such as asset management or investment advice, are being carried out without an appropriate license in or from Liechtenstein. In addition to actively combating abuse, the FMA also relies on indications from the market.

The FMA filed a criminal complaint with the Office of the Public Prosecutor against a company whose website used terms indicating activities as an AMC. The Office of Land and Public Registration had drawn the FMA's attention to the company.

Operational focus areas

Licensing procedure

In consultation with the Association of Independent Asset Managers (VuVL), the FMA is working on providing uniform licensing forms. The goal is to achieve faster licensing procedures while taking account of the risk-based approach. Publication of the forms is planned for the first quarter of 2012.

Organizational requirements under the AMA and AMO

The minimal organizational requirements on an AMC continue to generate discussions among intermediaries and the FMA. To achieve more clarity, a communication in consultation with the VuVL is planned.

Outlook

The FMA will work on realizing the time-to-market idea also with respect to the AMA by offering standardized licensing procedures, and it will clarify organizational requirements on AMCs. Through its risk-based supervision approach, the FMA at the same time wants to ensure that risky business models and companies are integrated into strict supervision processes. The goal is to protect the reputation of the financial center through early intervention.

1.2.3 Securities prospectuses

Approvals

Approval activities relating to securities prospectuses under the Securities Prospectus Act (SPA) continued to be rather insignificant in 2011. Only one application for approval was submitted to the FMA, which was approved. Additionally, a few securities prospectuses for closed investment undertakings were approved, and some were also supplemented with the required addendums.

Offers of foreign structured products notified by EU countries in Liechtenstein increased strongly again in 2011; one issuer in particular submitted documents for numerous products to the FMA for public offers in Liechtenstein. In 2011, the final conditions for a total of 348 structured products (previous year: 225) were submitted to the FMA. The notification by foreign supervisory authorities for basic prospectuses of issuers of structured products was within the range of the previous years. In many cases, however, no public offer was undertaken in Liechtenstein.

1.3 Insurance and Pension Funds Division

1.3.1 Insurance undertakings

Licenses

At the end of 2011, a total of 40 (previous year: 40) insurance undertakings with registered offices in Liechtenstein were active (21 life insurers, 14 non-life insurers, and 5 reinsurers). 12 undertakings were active as captives, 7 of which as direct insurers and 5 as reinsurers.

In 2011, two insurance undertakings received a supervisory license to operate insurance activities under the Insurance Supervision Act (ISA). Additionally, two insurance undertakings were released from supervision due to voluntary renunciation of their license (to offer insurance). At the end of the year, two applications for the formation of an insurance undertaking were being processed. The FMA is also responsible for the recognition of external auditors pursuant to special legislation. In 2011, one new auditing company was recognized as an external auditor pursuant to the ISA.

Licensing categories	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Non-life insurance	4	5	6	7	9	13	13	14	14	14	14
Life insurance	10	12	12	15	17	17	19	23	22	21	21
Reinsurance	5	4	5	6	5	5	5	5	5	5	5
TOTAL licenses	**19**	**21**	**23**	**28**	**31**	**35**	**37**	**42**	**41**	**40**	**40**

Figure 10
Number of insurance undertakings

Ruggell

Cross-border provision of services

By the end of 2011, 265 insurance undertakings from various EEA countries and Switzerland had notified the FMA of their assumption of cross-border services in Liechtenstein via their home country supervisory authorities.

Ongoing supervision

Audits pursuant to the ISA

As of 30 April 2011, the insurance undertakings were called upon to submit their documents to the FMA for reporting on the 2010 business year. The FMA's workload was greater due to the fact that only about one third of the insurance undertakings had submitted complete documents by that deadline. The other two thirds were again requested by the FMA to submit them after the deadline had lapsed. Ultimately, 5 undertakings had to be warned to submit complete documents. The audit of the insurance undertakings' reporting generated the following results:

- In the case of one undertaking, it was determined that substantial uncertainty exists with respect to the valuation of one asset position. This uncertainty might directly entail the need for recapitalization of the undertaking. In cooperation with the external auditor, detailed analyses of the valuation risk were carried out and subsequently verified by the FMA. The results and possible solutions are being discussed with the undertaking.
- Several undertakings generated business in countries of the European Economic Area in which the undertakings in question had not provided a notification. The cases were analyzed individually by the FMA, and the undertakings were accordingly called upon to provide notification.

By inspecting reporting, the FMA also monitors ongoing compliance with licensing conditions. In this connection, the reporting did not give rise to any comments. Solvency was greater than 100% and thus sufficient for all insurance undertakings.

On-site inspections and management meetings

Like every year, the FMA conducted on-site inspections of insurance undertakings. In addition to the regular topics such as business model, corporate strategy, and financial situation, the focus was on head offices, risk management, and the internal control system. At the same time, sample audits were conducted of the administrative systems. The results of the on-site inspections were predominantly positive.

Supplementing the on-site inspections, management meetings were again held with selected insurance undertakings. Here again, the business model, the corporate strategy, and the financial situation were key topics.

With regard to the topic of cross-border business, the existing risks relating to cross-border activities were discussed, and it was examined how the undertakings deal with these risks. Examples are risks connected with the country of activity, the tax amnesty, clients and insurance intermediaries, tax issues, and old portfolios.

In the course of on-site inspections and management meetings, the FATCA was also discussed. The goal is to sensitize life insurance undertakings in this regard. Providers of endowment life insurances will be affected by the FATCA. Since many detailed questions are still open in this regard, however, the FMA believes that early preparation by the Insurance Association and the insurance undertaking are crucial.

Audits pursuant to the DDA

Life insurance undertakings fall within the scope of the DDA pursuant to article 3(1)(d) of the DDA. In the reporting year, regular due diligence inspections were carried out at 19 insurance undertakings. Objections were made in the case of five insurers, including regarding the practice of delegation of due diligence obligations and again regarding PEP policy, which made subsequent inspections necessary. In the case of one insurance undertaking, the inspection resulted in more far-reaching measures by the FMA. According to information by the external auditors, two insurance undertakings made a total of five reports to the Financial Intelligence Unit (FIU) pursuant to article 17(a) of the DDA.

The FMA as a complaints body

In the reporting year, 83 complaints were filed by policyholders or their representatives to the FMA. This corresponds to an increase in the number of complaints to slightly more than twice the previous year (2010: 39 complaints). Most of these complaints concerned disclosure and invoicing of costs and fees, followed by complaints about discrepancies relating to the provision of non-life insurance services. Additionally, 14% of the complaints concerned lacking or delayed communication of the insurance undertaking with the policyholders. Complaints

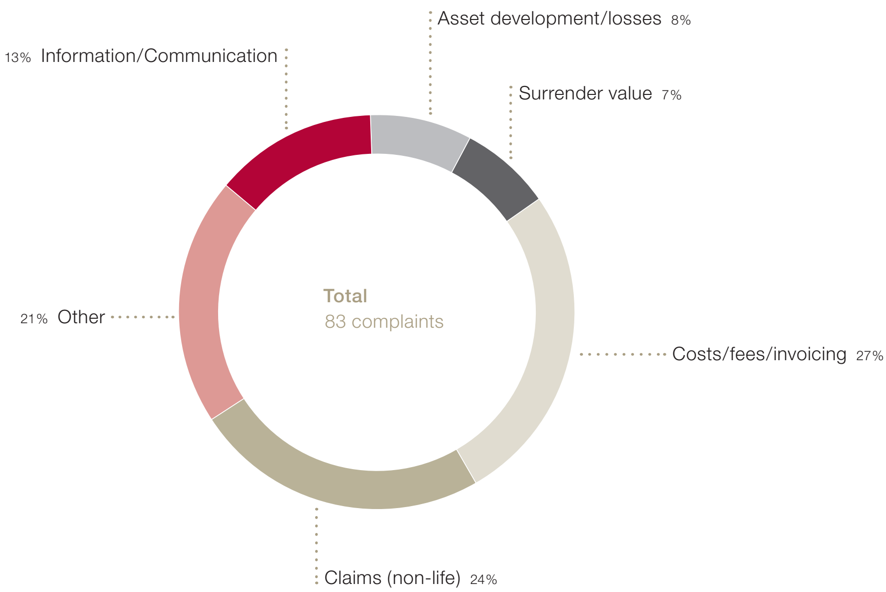


Figure 11
Complaints

regarding surrender value and asset development each amounted to slightly less than 10%. The audits concerning the plausibility of the surrender values did not lead to any objections. The heading "Other" covers less frequent complaints such as advice by intermediaries and contract adjustments. To the extent possible, the FMA served as a mediator in disputes or, where this was not possible, referred cases to the jurisdiction of the ordinary courts in civil matters.

Compulsory building insurance

As of 31 December 2011, 17 insurance undertakings were offering compulsory building insurance in Liechtenstein. Of these insurance undertakings, 4 were domiciled in an EEA member state and 13 in Switzerland. The building insurers operating in Liechtenstein must make a contribution to fire protection and the prevention of damages arising from natural hazards for the purposes of article 13 of the Building Insurance Act. The basis for calculating these contributions is the fire insurance sum of the individual undertakings.

Operational focus areas

Within the framework of operational activities, further preparation for Solvency II was a focus area. After the evaluation of the 5th quantitative impact study QIS5, in which 13 undertakings participated, the results were analyzed in depth. As an additional service, the FMA offered that interested undertakings have their QIS5 results discussed in detail in an individual workshop with the FMA and develop measures for improvement.

Also in the field of insurance, the increasing flood of regulation poses an additional burden for undertakings and supervision. The new legal framework of Solvency at Levels 1, 2 and 3 with a glut of implementing provisions will entail a major need for adjustments in all areas of business over the next while.

Another focus area was the development and implementation of requirements concerning the head office of insurance undertakings in Liechtenstein. With the involvement of the various interest groups, a first draft was finalized in the autumn. The final instructions will be published in spring of 2012. The goal of the instructions is to define the requirements on the head office and accounting in Liechtenstein and in this way to make an aid available for interpreting supervisory requirements.

Within the framework of annual reporting, the newly introduced supplementary reports of the external auditors were evaluated. This instrument provides the FMA with an in-depth look at the results of the external auditors' audit work. One of the focuses is on auditing continuous compliance with the licensing requirements. After gathering initial experiences, this supplementary report was revised and optimized for the coming reporting year.

Outlook

Solvency II will continue to be a focus area in 2012. The priority will be implementation into national law and adjustment of supervision practice to the requirements of Solvency II, especially taking into account the implementing measures currently being developed at the European level. Additionally, cooperation will be intensified with the undertakings planning to employ an internal model for calculating capital requirements. The goal is to initiate the pre-application phase with these undertakings.

1.3.2 Insurance intermediaries

Licenses

Licenses issued/withdrawn

A total of 8 licenses were issued in 2011. 11 license holders discontinued their activities as insurance intermediaries during the year 2011, 2 of which returned their license only on 31 December 2011. The license of one insurance intermediary to carry out insurance mediation activities was withdrawn in accordance with article 11(1)(a) of the IMA. As of 31 December 2011, the FMA thus supervised a total of 69 (previous year: 71) licensed and registered insurance intermediaries, of which 62 were legal persons, 4 sole proprietorships, and 3 natural persons. Of the 69 registered insurance intermediaries, 56 work as insurance brokers and 13 as insurance agents.

Cross-border provision of services

Cross-border activities pursuant to the free movement of services were primarily carried out in Switzerland (39% of all insurance intermediaries) and Germany (35%). 24% of the insurance intermediaries worked in Austria and only 1% in Italy. So far, no insurance intermediaries have operated pursuant to the freedom of establishment.

Ongoing supervision

Reporting

In 2011, the FMA received a total of 67 reports, which were concluded with the following results:

- 11 insurance intermediaries did not engage in mediation activities in 2010;
- 1 insurance intermediary operated in cross-border business, even though no prior notification was made to the FMA. The notification was subsequently submitted in the course of reporting;
- 5 insurance intermediaries did not notify a change of license pursuant to article 19(2) of the IMA;
- 10 insurance intermediaries were unable to provide evidence of adequate continuing training as referred to in article 2(5) of the IMA for the purpose of maintaining their required professional qualifications; the FMA called upon the insurance intermediaries in question to take appropriate continuing education measures;
- 1 insurance agent concluded a new cooperation contract with an insurance company, but the contract was not submitted to the FMA in accordance with article 1(1)(k) of the Insurance Mediation Ordinance. Additionally, mediation activities for this insurance undertaking were not covered by the existing professional liability insurance.

Regular audits pursuant to the DDA

Insurance brokers with a license pursuant to the IMA are subject to the Due Diligence Act (DDA), to the extent they broker life insurances and other services with an investment purpose. In the reporting year, 18 insurance brokers were subject to a regular due diligence inspection. With one exception, all due diligence inspections were completed.

As in the previous year, objections were raised with regard to the policy on PEPs (politically exposed persons), reconciliation with the Taliban Ordinance and the Bush lists and similar lists, as well as the internal organization.

Regular on-site inspections

The FMA conducted four regular on-site inspections of insurance intermediaries. In addition to compliance with licensing requirements, the internal organization, and the business model, the focus of the on-site inspections – as in the previous year – was on verifying compliance with information and advisory obligations and the DDA; the verification was carried out on the basis of samples.

The results of the on-site inspections showed that there is still room for improvement in terms of compliance with the information and advisory requirements and the DDA.

Combating abuse

Insurance mediation is subject to a license in Liechtenstein pursuant to article 5 of the IMA. This service may accordingly not be offered without an appropriate license. Violations are punished by the Court of Justice.

In the reporting year, the FMA carried out several clarifications concerning various indications or its own observations regarding suspicion of abuse. In contrast with the previous year, no violations regarding undertakings or persons carrying out insurance mediation without a proper license were found.

Operational focus areas

In addition to inspection of the annual reporting, DDA inspections by external auditing companies, and on-site inspections, implementation of instructions on compliance with information and advisory requirements was another operational focus area. With the involvement of the Liechtenstein Insurance Brokers Association (LIBA), the finalized instructions were published.

Outlook for 2012

Within the framework of ongoing supervision, regular due diligence instructions of insurance brokers with a license under the IMA generally take place every three years, to the extent they serve as intermediaries for life insurance and other services with an investment purpose. The first audit round, which was carried out by external audit companies, will be concluded in 2012. During the second audit period, the FMA will in future increasingly also verify compliance with due diligence obligations itself, in addition to the auditing companies.

Another focus is on the basic and continuing training of insurance intermediaries. In this context, another continuing training session is planned in cooperation with the University of Liechtenstein and the LIBA.

Additionally, the draft of the revised Directive 2002/92/EC on insurance mediation, originally expected in autumn 2011, is now scheduled for spring 2012 due to a delay at the European level. The general goal is a further strengthening of the interests of the insured. Discussion points during the revision of the directive are the inclusion of employed field staff, disclosure of distribution fees, a new definition of the term "intermediary", and modifications of the information and advisory obligations. The FMA is represented in the relevant working group.

1.3.3 Pension schemes

Licenses

At the end of 2011, 29 (previous year: 33) pension schemes were under the FMA's supervision, of which 8 were collective foundations, 20 company pension schemes, and the pension insurance for state employees. 3 of these schemes were in liquidation.

The entire liquidation procedure is under the supervision of the FIU. In the case of total liquidations, the FMA must verify whether the preconditions and the procedure are met, and it approves the distribution plan.

Ongoing supervision

Auditing

Audits pursuant to the Occupational Pensions Act

The 29 pension schemes were required to submit their report on business activities in the 2010 business year to the FMA by 30 June 2011. In most cases, the reports were submitted on time. However, 7 schemes were issued a warning, since their documents had not been submitted on time. In the case of 11 pension schemes, additional clarifications were necessary during the audits. The audit work was completed in mid-September. Despite the generally solid financial situation of the pension schemes, four schemes had funding ratios of less than 100%. While in three cases, the failure to meet the required funding ratio was insignificant, the necessary restructuring measures continue to be closely accompanied and supervised by the FMA in the fourth case. The pension schemes of three of the largest employers in Liechtenstein are domiciled in Switzerland. They are thus in principle subject to Swiss supervision. In these cases, reports are also submitted to the FMA in coordination with the Swiss authority. The audit results are harmonized between the two supervisory authorities.

On-site inspections and management accounts

The FMA conducted on-site inspections and management meetings at the pension schemes. The focus was on auditing of the organization and administration, business management, the asset situation, and the development of the funding ratio. In addition, sample audits of the administrative system and of reporting to the Guarantee Fund were conducted during the on-site inspections. The audits and meetings were satisfactory and gave rise to action only in sporadic cases.

Vested benefits accounts

Cash payout of vested benefits

The FMA is responsible for cash payout applications pursuant to the Occupational Pensions Act (OPA). The FMA reviews whether any of the preconditions for cash payout are met. Additionally, the FMA issues certifications for self-employed persons who are not subject to compulsory insurance pursuant to the OPA.

The FMA received a total of 274 (previous year: 257) applications for cash payout in 2011, of which 122 (previous year: 116) received a positive response and 74 (previous year: 58) a negative response. 46 applications were still pending at the end of 2011. The main reasons for cash payout were the assumption of self-employed work and departure from the Liechtenstein/Swiss economic area. In total, the FMA decided on vested benefits in the amount of CHF 8.32 million (previous year: 7.62 million).

Pursuant to article 30(6) of the Occupational Pensions Ordinance (OPO), the banks domiciled in Liechtenstein must annually report statistical data on their vested benefits accounts. The banks report on the number, interest rate, and total volume, as well as investments within the vested benefits accounts.

Combating abuse

Verification of association with occupational pension scheme

Pursuant to article 4a(1) of the OPA and FMA Guideline 2008/1 (verification of association requirement pursuant to the OPA), the Old Age and Survivors' Insurance Authority (AHV) verifies whether the employers subject to its jurisdiction are properly associated with a pension scheme. The AHV calls upon employers who have not met their association obligation to retroactively join a pension scheme within two months. If the employer fails to do so, the AHV reports the employer to the FMA. The FMA likewise calls upon the reported employer to bring about a lawful state of affairs. If the employer does not subsequently join a pension scheme, the FMA retroactively imposes the employer's association with a pension scheme. In the reporting year, the FMA imposed only one such association. In most cases, a solution was found in consultation with the employer.

The pension schemes must notify the FMA if an association contract with an employer is cancelled. In such cases, the FMA verifies whether the employer in question continues to employ staff subject to the insurance requirement and whether the employer joins a new pension scheme, where necessary. In 2011, the FMA was notified of 56 cancellations of association contracts. After receiving notice by a pension scheme, the FMA calls upon the employer to communicate whether employees subject to the insurance requirement are still employed, and to indicate with which pension scheme an association contract has been concluded. If necessary, the FMA imposes the employer's association with a pension scheme in such cases as well. In the reporting year, all of these cases were concluded without imposed associations.

Measures where employers fail to contribute

Under the OPA, pension schemes are required to notify the FMA within three months if the employer is late in making contribution payments to the pension scheme. In 2011, the FMA received 146 (previous year: 167) notifications of contribution defaults. In such cases, the FMA calls upon the employer to remedy the default, under threat of punishment. As a consequence of such contribution defaults, the FMA submitted a total of 11 (previous year: 6) notifications of such situations to the Office of the Public Prosecutor in the 2011 reporting year, based on article 25(1) of the OPA.

Operational focus areas

Within the framework of annual reporting, the newly introduced supplementary reports of the external auditors were evaluated. This instrument provides the FMA with an in-depth look at the results of the external auditors' audit work. After gathering initial experiences, this supplementary report was revised and optimized for the coming reporting year. Another special focus was on pension schemes failing to meet the required funding ratio. The undertakings in question must report to the FMA on a quarterly basis on the development of the funding ratio and the effectiveness of the measures taken.

Outlook

Due to the structural form of the Swiss LOB and the associated changes to the legal foundations of occupational pension provision in Switzerland as well as the agreement with the Guarantee Fund between Liechtenstein and Switzerland, the FMA will consider any necessary changes to the Liechtenstein legislation on occupational pension provision. The focus will be on introducing integrity and loyalty requirements as well as business with related parties.

The developments on the financial markets will continue to pose a major challenge to the financial markets in 2012. For supervision, the focus will be on inspecting the financial situation of the pension schemes and accompanying restructuring measures in the event the required funding ratio is not met.

Regular exchanges with the Liechtenstein Pension Scheme Association (LPSA) founded in 2010 were continued. These exchanges have proven to be a good instrument for developing common solutions.

1.3.4 Pension funds

Licenses

Six pension funds are currently licensed in Liechtenstein, of which four are engaged in cross-border business in the EEA. No new license was granted in the reporting year.

Ongoing supervision

As part of the regular audit, the pension funds domiciled in Liechtenstein were called upon to submit their report on business activities in the year 2010 to the FMA by 30 April 2011 at the latest. The FMA reviewed the submitted documents and monitored compliance with the legal and regulatory provisions. The audit round for the 2010 business year was concluded in August 2011. Additionally, the semi-annual reporting of the pension funds was inspected. The results from these audit activities gave rise to no comments.

Operational focus areas

In addition to inspections of the annual and semi-annual reports, the FMA worked on a project to strengthen Liechtenstein as a pension fund center. The basis was a study commissioned by the Government in 2010. The master plan presented in this connection provides, among other measures, that the legislation on pension funds will be optimized in various respects. On the part of the FMA, these aspects in the legislation of other successful pension fund centers in Europe were analyzed, with a view to optimizing the Liechtenstein legislation in the near future. This will not occur until the European Pension Funds Directive has been revised, however.

Outlook for 2012

At the European level, the directive on institutions for occupational retirement provision is currently being revised. As part of these changes, the European Commission is consulting with the European Insurance and Occupational Pensions Authority (EIOPA) and stakeholders (including a public hearing in March 2012). After the directive is revised, the changes will be incorporated into national law, taking account of the FMA's analysis on how to strengthen the Liechtenstein pension fund center.

1.4 Other Financial Intermediaries Division

The OFI Division is responsible for the due diligence supervision of professional trustees, lawyers, patent lawyers, and auditors, as well as their examination and professional qualifications for carrying out their activities in the financial center. Due diligence supervision also covers additional financial intermediaries such as persons with certifications under article 180a of the Law on Persons and Companies (PGR), dealers in goods, real estate brokers, and other persons subject to due diligence. The FMA also exercises disciplinary powers over auditors in accordance with the Auditors and Auditing Companies Act (AACA).

The following laws and associated implementing ordinances are enforced: Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act; DDA); Professional Trustees Act (PTA); Auditors and Auditing Companies Act (AACA); Lawyers Act; Patent Lawyers Act (PLA). The FMA is also responsible for the due diligence enforcement of the Gambling Act and the relevant implementing ordinances.

Admission to examinations/Licenses

Admission to examinations

Pursuant to the Lawyers Act, 2 applications for the EEA qualifying examination were registered; 1 person passed the examination, while 1 person withdrew. 13 applications for the licensing examination under the Lawyers Act were received, from which 1 person withdrew. 7 candidates passed the lawyers' examination.

In 2011, 1 person registered for an examination under the PLA, but withdrew. 17 applications for the licensing examination under the PTA were registered, of which 10 participants passed. 2 applications for admission to the examination under the PTA had to be rejected, while 1 person withdrew. 25 persons were admitted to the qualifying examination under the AACA, of which 13 candidates passed the examination.

Licenses

In 2011, 47 licenses were granted to natural or legal persons to carry out the respective activities.

Additionally, changes to already existing licenses were carried out upon application in 26 cases. In most cases, these were changes to the business name, changes of the responsible general manager, and extensions of licenses for apprentice lawyers. A total of 47 licenses were cancelled (2010: 40).

Other financial intermediaries	2008	2009	2010	2011
Professional trustees	85	83	77	79
Professional trustees with a restricted license	28	26	23	21
Trust companies	260	262	264	263
Trust companies with a restricted license	19	24	28	29
Auditors	23	24	25	23
Auditing companies	26	26	26	24
Lawyers	133	147	150	164
Liechtenstein lawyers eligible for registration	64	60	66	61
European lawyers established in Liechtenstein	27	25	25	27
Law firms	26	28	28	29
Branches of law firms	1	1	1	1
Apprentice lawyers	71	66	67	56
Legal agents	5	5	4	4
Patent lawyers	10	10	9	9
Patent law firms	4	3	3	3
Persons with a certification under article 180a PGR[1)]	513	532	546	533
Exchange offices[2)]	0	0	0	0
Real estate brokers[2)]	21	24	25	7
Dealers in goods[2)]	39	42	42	11
Casinos	0	0	0	0
Other persons subject to due diligence[2)]	30	32	35	32
TOTAL	**1385**	**1420**	**1444**	**1376**

1) No guarantee of correctness
2) Information based especially on the notification requirement under article 3(3) DDA

Figure 12
Other financial intermediaries
under the supervision of the FMA

Lawyers and other categories

As of 31 December 2011, a total of 342 persons (2010: 341) were licensed under the Lawyers Act. This number includes lawyers (164), Liechtenstein lawyers eligible for registration (61), European lawyers established in Liechtenstein (27), apprentice lawyers (56), law firms (29) and branches of law firms (1), and legal agents (4).

Professional trustees and trust companies

As of 31 December 2011, the total number of licenses under the PTA was 392 (2010: 392). This number includes 79 professional trustees, 21 professional trustees with a restricted license, 263 trust companies, and 29 trust companies with a restricted license.

Patent lawyers and patent law firms

The number of patent lawyers and patent law firms stayed the same. The total number of persons with a license under the PLA was 12 as of 31 December 2011.

Auditors and auditing companies

As of 31 December 2011, 23 commercially operating auditors and 24 auditing companies were under the supervision of the FMA. The number of commercially operating auditors engaging in free movement of services was 9, the number of such auditing companies 22.

Supervision pursuant to the DDA

In 2011, a total of 86 regular due diligence inspections were carried out, of which 19 were accompanied by the FMA. Within the framework of supervision pursuant to the DDA, the FMA is in particular responsible for planning, carrying out, accompanying, and evaluating the due diligence inspections, carrying out extraordinary inspections, imposing measures and penalties, answering questions of law and interpretation, and identifying and investigating cases of suspicion in order to combat abuse.

On the one hand, accompanying of inspections by the FMA serves to promote general understanding of standards under supervisory law and the guarantee thereof, as well as mutual exchange of information about the prevalent market circumstances. On the other hand, the FMA is also taking the recommendations of the International Monetary Fund (IMF) into account, according to which the supervisory authority should be included more strongly in the on-site inspections.

Regular due diligence inspections

In the 2011 audit round, a total of 523 financial intermediaries were approached, of which 330 claimed to have carried out activities as referred to in article 3(1) of the DDA. 86 regular due diligence auditors were then carried out (some of them consolidated audits). 330 financial intermediaries or about 2,000 business relationships were audits within the framework of the due diligence inspections. Compared with the previous year, a lower proportion of objections was noted.

During the evaluation of the inspection reports and on the occasion of the accompanied inspections, the following was noted: Compliance with the formal conditions when identifying and verifying the identity of the contracting party and the beneficial owner as well as the business profiles had improved over the previous year. In terms of risk-adequate monitoring and documentation requirements, more deficiencies were identified in 2011 than in the previous year. Either individual transactions were not


Gamprin-Bendern

clarified in accordance with internal instructions, or documents, bank records, and asset statements were missing. After conclusion of the audit round, the financial intermediaries in question and the involved due diligence auditors were again informed in writing about the overall result of the 2011 audit round.

Extraordinary due diligence inspections

In 2011, no extraordinary inspections under article 25 DDA were carried out; however, follow-up inspections on extraordinary due diligence inspections in previous years were carried out in 2011.

Combating abuse

Activities to combat abuse make an important contribution to the protection of clients and to secure trust in the Liechtenstein financial center. When combating abuse, the Other Financial Intermediaries Division employs tools such as preventive measures in cooperation with other authorities of the National Public Administration, awareness-raising, and media monitoring.

Combating abuse involves steps pursuant to supervision law taken against natural and legal persons carrying out an activity subject to licensing under special legislation or unlawfully employing a professional or business term or company name that is reserved under special legislation. In 2011, several demands were made to adjust the undertaking's purpose. Additionally, interventions must be carried out to combat abuse where the preconditions for engaging in the activity or activities are not or no longer met. In two cases, the FMA provisionally prohibited continuing engagement in an activity and reported the cases to the Court of Appeal, which exercises disciplinary power.

Operational focus areas

Focus areas in supervision were the accompanying of regular due diligence inspections and the evaluation of the consequently submitted inspection reports. These were discussed in a personal meeting with the due diligence auditors. With respect to supervision of auditors and auditing companies, activities were characterized especially by conceptual tasks. Of particular note were the development and launch of the electronic register of auditors, the development of a concept for carrying out due diligence inspections, and the development of a conception for carrying out quality controls starting in the year 2013 of auditors and auditing companies performing statutory audits.

Other focus areas were the regulatory projects involving supervision of professional trustees, supervision of persons with a certification under article 180a PGR, professional liability insurance for the liberal professions, and new regulations governing bearer instruments.

Outlook

In 2012, regular due diligence inspections will again represent an important focus of activities. Dealers in goods and real estate brokers (to the extent transactions relevant to due diligence are performed) as well as auditors and auditing companies will for the first time be taken account of systematically in the audit process. Implementation of a consistent, internationally adequate supervision of auditors and auditing companies requires the establishment of a goal-oriented international network. Against this background, membership in the International Forum of Independent Audit Regulators (IFIAR) will be applied for in 2012.

With a view to the conceptualization of the quality controls for auditors and auditing companies, the FMA is participating in the development of an applicable implementing ordinance. The goal is for the ordinance to enter into force in mid-2012. A further central task is the monitoring and supervision of auditors and auditing companies. In this connection, the supervision and quality assurance system in particular must be implemented.

With entry into force of the envisaged law on supervision of persons under article 180a PGR, the FMA's scope of responsibilities will again be expanded. In this connection, a supervision system (especially licensing procedures, measures, and penalties) must be built up, the newly public register of licensed persons must be maintained (until now, the Office of Land and Public Registration kept a non-public list), and supervision of these persons must be exercised. In the area of regulation, projects to be continued include improvement of supervision of professional trustees and professional liability insurance for the liberal professions.

2

In 2011, numerous of the regulatory projects initiated in previous years as a response to the financial crisis were implemented or further advanced at the global and European level.

Over the course of the year, the European debt crisis also intensified. The bankruptcy of several states could be prevented only thanks to interventions by the International Monetary Fund (IMF), the EU, and the European Central Bank (ECB). The rating agencies downgraded the credit ratings of numerous European states several times. The confidence of the markets in government bonds previously considered safe thereupon shrank dramatically. At the same time, it became more difficult and expensive for many European countries to raise debt on the capital markets.

Banks, which had already been weakened by the financial crisis, also came under pressure as the most important creditors of the European states. They would hardly have been able to bear the insolvency of one or more states. Europe thus faced the dilemma that the banking system was too weak on the one hand to absorb a government bankruptcy, and on the other hand the shape of government finances was too poor to be able to support banks in such a case.

It became apparent that national budgets, monetary policy, the banking system, and financial and capital markets make up a fragile system that contains substantial risks. Policymakers responded with extensive measures and announced a comprehensive, internationally coordinated, and significantly stricter regulation of the financial markets.

As a consequence, this means that the various international supervisory bodies, regulators, and standard-setters, some of which are new, will have significantly greater powers in the future and will exercise greater influence on the individual financial markets. The number of new regulatory projects will continue to rise, confronting financial intermediaries and national supervisory authorities with great challenges in their implementation.

2.1 Banking Division

Completed regulatory projects

Implementation of Directives 2009/27/EC, 2009/83/EC, 2009/111/EC, and 2010/76/EU (CRD I, II, and III)

In 2011, the CRD Directives I, II, and III (Capital Requirements Directives) were implemented into Liechtenstein law. The directives modify the Basel II Directives 2006/48/EC and 2006/49/EC by partially revising and supplementing the capital and risk management requirements contained therein. Additionally, they contain provisions on the international cooperation of supervisory authorities, the compensation policy and practice of banks and investment firms, and changes to the technical requirements relating to equity capital. These provisions were implemented in Liechtenstein by amending the Banking Act, the Banking Ordinance, and the Capital Requirements Ordinance.

Administrative assistance provisions

On 1 January 2011, the new administrative assistance provisions of the Financial Market Authority Act entered into force. These new provisions, introduction of which was a precondition for membership in IOSCO and ESMA, have fundamentally redesigned the administrative assistance process relating to securities supervision.

E-Money Act

On 1 May 2011, the Liechtenstein E-Money Act and E-Money Ordinance entered into force, thus implementing the E-Money Directive 2009/110/EC.

Settlement Finality Act

On 1 July 2011, the partial revision of the Settlement Finality Act entered into force (implementation of Directive 2009/44/EC).

Pending regulatory projects

Implementation of CRD IV rules

With the new CRD IV rules, which incorporate the Basel III international standards into EU law, the EU banking sector is to be made more resilient. For this purpose, new rules on equity capital, a new governance framework, and a uniform regulatory framework will be created. These comprehensive regulation rules will be instituted in the form of a directive to be transposed into national law and a directly applicable regulation, replacing 2006/48/EC and 2006/49/EC. The CRD IV rules are scheduled to enter into effect at the EU level already on 1 January 2013; they are to be fully applicable by 1 January 2019.

Implementation of crisis management rules

The goal of these comprehensive rules is a regulatory framework setting out norms for crisis management (restructuring and orderly winding-up) of banks and investment firms. To better deal with crisis situations in the banking sector, measures for early intervention by the competent authorities and organizational precautions for managing crisis events (e.g. recovery and resolution plans) are to be created. Implementation is likely to be in the form of a directive.

Implementation of market abuse rules

With the planned rules in the form of a directive and a regulation, the existing framework for ensuring market integrity and investor protection, established by the Market Abuse Directive 2003/6/EC, are to be adjusted to the current market reality and strengthened. An important component of the new rules will be an expansion of the competences of the competent authorities and a tightening of penalties.

Implementation of the Mortgage Directive

The persistent crisis on the financial markets has exposed weaknesses in the regulation of lending. For these reasons, a new directive is intended to improve the protection of borrowers. The new rules govern issues including solicitation, pre-contractual information, advising, credit assessments, and early repayment.

Foreign Account Tax Compliance Act (FATCA)

This new US legislation provides that foreign financial intermediaries must identify 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. The FATCA is scheduled to enter into force on 1 January 2013; certain obligations arising from the extensive legislation will only become applicable at a later time, however.

Partial implementation 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 will be reduced relatively substantially.

2.2 Securities Division

Completed regulatory projects

Implementation of the UCITS IV Directive 2009/65/EC

As part of adjustment of the legal rules governing undertakings for collective investment in transferable securities (UCITS) as well as within the framework of the European measures responding to the financial crisis, Directive 2009/65/EC (UCITS IV) including the relevant implementing enactments was adopted at the European level. As part of the national implementation, the Investment Undertakings Act (IUA) and Ordinance (IUO) were revised to a large extent by the UCITS Act and its implementing UCITS Ordinance with respect to UCITS funds and management companies.

The national enactments (UCITS Act and UCITS Ordinance) entered into force on 1 August 2011. Transposition of the directive and the corresponding implementing enactments of the Commission were part of the Fund Center 2011 project of the Government.

Pending regulatory projects

Implementation of the AIFM Directive

On 1 July 2011, the AIFM Directive 2011/61/EU was published. The directive must be implemented into national law by 22 July 2013 by the latest. The FMA is actively participating in implementation of this directive as part of a project group on the Liechtenstein fund center established by the

Government. According to the Government's schedule, the AIFM Directive is to be implemented by the end of 2012. Through early implementation, Liechtenstein wants to open up opportunities for the market, create legal certainty, and ensure planning predictability for market players. The Law on the Alternative Investment Fund Managers (AIFM Act) is expected to enter into force on 1 April 2013.

SPA and Disclosure Act

The FMA participated in implementation of the changes to the Prospectus Directive and the Transparency Directive. The partially revised Securities Prospectus Act (SPA) and the partially revised Disclosure Act are to enter into force in August 2012.

2.3 Insurance and Pension Funds Division

Completed regulatory projects

Implementation of Directive 2006/54/EC and Directive 2004/113/EC

Directive 2006/54/EC (implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation) aims to create more legal certainty in the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. The main goal of the Directive is to ensure equality of the sexes in the workplace. One of the aims is also to implement the principle of equal treatment with regard to occupational social security schemes. Voluntary occupational pension provision in particular falls within this scope. A general prohibition of discrimination in this area applies, especially with regard to the scope of application of such systems, the contribution requirement, and the calculation of contributions and benefits. In some areas, however, the Directive provides for exceptions that permit men and women to continue to be treated differently.

Any discrimination in occupational pension provision in terms of the contribution requirement, calculation of contributions, and calculation of benefits is prohibited. What continues to be permissible in voluntary occupational pension provision is a differentiation of benefits based on actuarial calculation factors that may differ according to gender. These rules apply not only to pension schemes, but also to pension funds.

With implementation of Directive 2004/113/EC, the same legislative proposal also introduced a prohibition of discrimination in private insurance (prohibition of different premiums and benefits for men and women, as long as unequal treatment is not justified on actuarial or statistical grounds).

It should be noted that in its judgment (C/236/09) of 1 March 2011 (Test-Achats), the European Court of Justice declared article 5(2) of Directive 2004/113/EC to be invalid effective 21 December 2012. This provision governs the use of sex-specific actuarial factors in insurance and related financial services. The Court found that this rule, which allows member states to make an exception to the unisex rule set out in article 5(1) of this directive without any time limitation, runs counter to the goal of equal treatment of men and women with regard to the calculation of insurance premiums and services.

As far as Liechtenstein is concerned, the decision of the EEA Joint Committee still applies. Accordingly, there is no immediate need for Liechtenstein to act. Since Liechtenstein insurance undertakings are mainly active in EU states, however, this judgment still has an impact on the activities of these undertakings.

Implementation of Directives 2006/54/EC and 2004/113/EC was achieved primarily through amendments to the Gender Equality Act, which entered into force on 8 June 2011.

Pending regulatory projects

Implementation of the Solvency II Directive 2009/138/EC

The legislative work on implementation of the Framework Directive 2009/138/EC were continued in the reporting year. At the opening event on 24 May 2011 in Schaan organized by the FMA with high-level national and international participation, the consultation draft for a totally revised Insurance Supervision Act was presented and the consultation procedure initiated. The Liechtenstein associations and authorities as well as other interested groups were thus included early on in the domestic implementation process. The proposal was also discussed at a workshop together with the Insurance Association. Taking account of the consultation comments, the official consultation draft was adopted by the Government on 18 October 2011. The consultation period ended on 20 January 2012. In addition to the total revision of the Insurance Supervision Act, the proposal encompasses a partial revision of other special legislation: the International Insurance Contract Act, the Insurance Contract Act, the Insurance Mediation Act, the Pension Funds Act, and the Law on Persons and Companies.

In 2011, the elaboration of a totally revised Insurance Supervision Ordinance was also initiated. The Solvency II Directive is to be implemented into Liechtenstein law by 1 January 2013. The schedule on the part of the EU regarding adoption of the Omnibus II Directive, with which the powers of the European supervisory authorities are to be further specified and amendments to the framework directive are to be undertaken, as well as the enactment of implementation measures are further delayed.

Implementation of Directive 2011/89/EU as regards the supplementary supervision of a financial conglomerate

Directive 2011/87/EU amends the Financial Conglomerates Directive, the Insurance Group Directive, the Solvency II Directive, and the Credit Institutions Directive. The goal of revising these directives is to achieve a useful supplement to the Financial Conglomerates Directive, ensure comprehensive and appropriate supervision of financial conglomerates, and close gaps identified within the framework of this supervision. Implementation of this directive requires adjustments to the Financial Conglomerates Act, the Banking Act, and the Insurance Supervision Act.

The implementation deadline in the EU is June 2013. The consultation in Liechtenstein is expected to take place in June 2012, while the necessary changes to the Insurance Supervision Act are planned within the context of Solvency II.

Instructions on the head office of insurance undertakings and pension funds

Within the context of its supervisory activities, the FMA repeatedly has faced the question of which organizational demands apply with respect to the legal requirements on the head office of a Liechtenstein insurance undertaking and pension fund. FMA instructions will be issued to define the demands on the head office in Liechtenstein. Within the framework of a consultation, the Insurance Association, the Liechtenstein pension funds, and the Association of Auditors had the opportunity to comment. The instructions will be finalized in spring 2012 and will subsequently be used as part of the FMA's regular supervision process.

Investments within the framework of fund- and unit-linked life insurance

The FMA is currently defining principles to guide insurance undertakings when they issue investment rules with respect to unit- und fund-linked life insurance. The principles are being elaborated during workshops together with the Liechtenstein Insurance Association. The definite approval of these principles is planned by summer 2012.

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2.4 Other Financial Intermediaries Division

Completed regulatory projects

Implementation of FATF Special Recommendation IX on cash couriers

As part of a working group appointed by the Government, the FMA is working on implementation of FATF Special Recommendation IX to create rules governing the cross-border transportation of currency and bearer negotiable instruments. The implementation was achieved in part through an amendment of the Police Act. To combat money laundering and terrorist financing, cash inspections now take place by way of an information system from a threshold of CHF 10,000 during entry and departure. The amendments entered into force on 26 August 2011.

Creation of the Online Gambling Ordinance (OGO)

The Online Gambling Ordinance (OGO), in the elaboration of which the FMA participated, entered into force on 10 June 2011. Inter alia, it further specifies the provisions on due diligence under the DDA and the Gambling Act, for the enforcement of which the FMA is responsible.

Pending regulatory projects

Improvement of the supervision of professional trustees

In 2011, the regulation project "Improvement of the supervision of professional trustees" was launched. The goal of the project is to strengthen the reputation of the Liechtenstein fiduciary sector and its international acceptance through credible and modern regulation and more effective supervision. In June, the public was briefed on the goals pursued by the Association of Professional Trustees and the FMA by way of a joint declaration. Within the framework of workshops, agreement was achieved with the APT on the essential points. In mid-December, the associations were briefed in an information event, and subsequently the public was briefed by way of a joint press release on the agreement achieved regarding the basic points of improved regulation and more effective supervision.

The focus is on stronger supervision by the authority, including licensing, permanent compliance with licensing conditions, and enforcement of supervision extending to withdrawal of the license. The project work will be continued jointly in 2012. A draft law amending the Professional Trustees Act is expected to be submitted to the Government by the end of March 2012.

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

On the initiative of the FMA, the Government appointed a working group in 2010 consisting of representatives of the associations, the Government, and the authorities for the purpose of creating a law on the supervision of persons under article 180a PGR. Since these persons until now have been subject to the least regulation and supervision, a supervision system recognized according to international standards is to be established. A licensing system is in particular intended to ensure that the holders of such licenses have professional competence and personal integrity. As in the case of other financial market participants, it should in future be possible to punish non-compliance with the licensing conditions and, in serious cases, to withdraw the license. This is intended to strengthen the reputation of the holders of a certification under article 180a PGR and of the financial center as well as the protection of clients.

In November, the Ministry of Justice mandated the FMA to prepare a consultation draft for this purpose. The draft, which was discussed at a further meeting of the working group, was sent to the affected associations and authorities for the opportunity to comment (pre-consultation). The plan is for the Government to adopt the consultation report in February 2012 and subsequently to start the official consultation procedure. The new law is to enter into force by 1 January 2013 at the latest. The FMA is envisaged as the supervisory authority.

Professional liability insurance for the liberal professions

In regard to professional liability insurance for the liberal professions, the FMA held various talks over the course of the year with the affected insurers, associations and the Ministries of Public Health and Finance to discuss the specific problems in this area. In June, a mutually harmonized interim report was transmitted to the Government, and the appointment of a working group was recommended. The first working group meeting with the goal of elaborating joint revision proposals took place in November 2011.

In the first quarter of 2012, after receiving the responses of the affected associations, insurers, and authorities, the elaboration of practicable (insurable and affordable) solutions will begin by way of amendments to the applicable legal foundations. The plan is to submit a joint consultation draft to the Government by mid-2012.

Implementing ordinance on the Auditors and Auditing Companies Act (AACA)

On the basis of the amendments to the AACA which entered into force on 1 February 2011, an implementing ordinance to further specify the quality assurance audits is being elaborated in cooperation with the Association of Auditors. The ordinance is to enter into force in the 3rd quarter of 2012.

New rules governing bearer instruments

Another regulatory project is concerned with implementing the international standards relating to bearer shares. Within the framework of the working group appointed by the Government, a first draft of the consultation report on new rules governing bearer instruments was elaborated together with the affected associations. The consultation is expected to begin in the first quarter of 2012.

Moneyval package of measures

The FMA is actively participating in the Government's Moneyval package of measures. Initial working group meetings have already taken place. The preparation of the consultation draft has also already started. The work begun already in 2011 will be continued in 2012. The consultation regarding the individual amendments to laws and ordinances is expected to begin in February 2012. The end of 2012, the assessment by the IMF team is planned to take place on site.

3.1 National external relations

Due to its supervisory activities and its participation in regulatory projects, the FMA maintains numerous contacts with financial intermediaries, associations, the Government, authorities, and other stakeholders. Even after the transfer of ultimate oversight from Parliament to the Government effective January 2010, the established dialogue with the Finance Commission of Parliament has been continued. In regular meetings the Chairman of the Board of Directors and the CEO brief the members of the Finance Commission on developments in supervision and the financial center.

As part of its IT strategy, the FMA is currently revising its website. Before the work began, interviews were conducted with financial intermediaries, representatives of the associations, and authorities so that their information needs would be taken into account and covered.

On 24 May 2011 in Schaan, the FMA presented to about 150 participants its preliminary draft of a totally revised Insurance Supervision Act to implement Solvency II. With the early involvement of the insurance undertakings, the FMA aims to take up their concerns and facilitate implementation of the solvency system.

In cooperation with the University of Liechtenstein and the Financial Intelligence Unit, the FMA provided information at a public event on 9 June 2011 regarding developments in due diligence law, especially the planned expansion of the catalogue of predicate offenses.

FMA Practice is published each autumn. It serves to inform about the supervisory activities of the FMA. For the first time, the FMA presented the current issue at an event to representatives of the associations and the justice authorities and discussed it with them.

In addition to the Annual Report and FMA Practice, the FMA published the brochure "Liechtenstein Financial Market". This publication presents facts and figures on the financial intermediaries subject to the FMA's supervision and thus provides a good overview of the financial center. Periodically, the publications "Developments in Regulation" and the "National Economic Monitor" also appear.

The FMA Newsletter introduced in 2010 has established itself as an important information source for financial intermediaries and interested circles. The Newsletter meanwhile has more than 1,000 subscribers.

3.2 International external relations

The regulatory projects of the EU and the international standard-setters in the wake of the global financial crisis continued to determine developments at the international level in the 2011 reporting year.

At the European level, the new European supervisory authorities EBA, ESMA, and EIOPA began their work on 1 January 2011. After initial establishment work, the new authorities were able to focus on the tasks assigned to them over the course of the year, in particular the improvement and harmonization of financial supervision in the European single market, together with the national supervisory authorities. The role of the EEA/EFTA states in this new European supervisory system had still not been conclusively defined by the end of 2011. The negotiations with the EU Commission were still underway.

At the global level, the work following up on the G20 resolutions was continued. Of particular note in this connection are the reform of the global capital adequacy standards for the banks and the introduction of certain liquidity standards by the Basel Committee (Basel III).

At the G20 summit in London in 2009, the Financial Stability Board (FSB) was mandated to analyze the supervision standards of the 60 most important financial centers and to compile a list of non-cooperative countries. Over the following two years, the FSB consulted the IMF country reports to verify the extent to which the individual jurisdictions had met the relevant standards of the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO). Additionally, it was also considered whether the IOSCO Multilateral Memorandum of Understanding (MMoU) had been signed. The result of the analysis was published at the G20 summit in Cannes in November 2011. The Liechtenstein supervisory system received the best of three different country ratings.

This positive result was in part also due to the signing of the IOSCO MMoU by the FMA Liechtenstein in April 2011. The signing also made FMA's regular membership in IOSCO possible. By adopting the new rules governing Liechtenstein's administrative assistance with respect to securities supervision, for which the Government and Parliament had cleared the path the end of 2010, the FMA was able to meet the preconditions for signing the IOSCO MMoU and thus for IOSCO membership. This is of essential important for the international reputation of the Liechtenstein financial center and further access to securities markets. It also allows the FMA to network more strongly with its partner authorities.

Only one month after being accepted as a member of IOSCO, the FMA was also invited by ESMA to take part as an observer in the Board of Supervisors, committees, and working groups. This means that the FMA is now represented in all three European supervisory authorities (EBA, EIOPA, and ESMA). Through its participation, the FMA receives timely information on important supervisory developments that have an impact on Liechtenstein financial intermediaries. The supervisory authorities also offer an important platform for a regular exchange of experiences with the European partner authorities.

In the 2011 reporting year, the ongoing revision of the 40 Recommendations of the Financial Action Task Force (FATF) and the 9 Special Recommendations (FATF 40 + 9) was also of importance. The revision has entered its final phase. The revised standards are to be adopted in February 2012. The revision will probably entail an inclusion of tax offenses in the catalogue of predicate crimes and stronger transparency requirements for legal persons and trusts.

3.2.1 Global cooperation

Moneyval

Moneyval is the committee of experts of the Council of Europe on combating money laundering and terrorist financing. The committee has been mandated to carry out mutual assessments of the member states. In accordance with this mandate, assessments were carried out in six member countries in the reporting period, and final reports on these assessments were adopted for five more countries. Through its work in the assessment teams, the FMA again participated actively in this mechanism. Also in 2011, several member states with deficits in their implementation of essential FATF recommendations were obliged to submit special reports on progress made to the plenary.

Liechtenstein was last audited in 2007 as part of the Moneyval assessment mechanism. A new assessment (the 4th assessment round) is planned for the end of 2012. A positive assessment result is fundamental for the international recognition of the Liechtenstein measures to combat money laundering. As already in 2007, this assessment will be carried out by experts of the IMF.

In addition to country evaluations, Moneyval conducts typological studies on methods, tendencies, and techniques of money laundering and terrorist financing. In 2011, the focus was on the delay of financial transactions, the monitoring of bank notes, and anti-money-laundering in commercial trading. The ongoing work on the topic of Internet gambling and criminal payment flows in the Internet (cybercrime) was continued.

International Organization of Securities Commissions (IOSCO)

At its 36th Annual Conference in Cape Town, South Africa, the International Organization of Securities Commissions (IOSCO) admitted the FMA Liechtenstein as a regular member. The FMA's membership in IOSCO strengthens the international integration and reputation of the Liechtenstein financial center.

IOSCO is the international standard-setter in the field of securities supervision and the most important cooperation forum worldwide for securities supervision authorities. By adjusting administrative assistance with respect to securities at the end of 2010, the Government and Parliament cleared the path for the FMA's membership in IOSCO. With these new rules governing the supervisory exchange of information between supervisory authorities, the admission criteria for membership in IOSCO were fulfilled.

For foreign supervisory authorities, IOSCO membership serves as a key measure for evaluating mutual equivalence. This in turn is the precondition for the admission of Liechtenstein financial intermediaries to foreign financial markets. Membership is thus of special importance for the access of Liechtenstein financial intermediaries to international financial markets. Membership in IOSCO and signing of the IOSCO MMoU were also a significant criterion for Liechtenstein receiving the best of three possible country ratings in the aforementioned assessment of supervisory standards by the FSB.

International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors, founded in 1994, meanwhile represents about 190 insurance supervisory authorities from more than 140 countries, which represents about 97% of the international insurance market in terms of premium volume. The IAIS promotes worldwide cooperation among insurance supervisory authorities and establishes international principles and standards in the field of insurance supervision. At its 2011 Annual Conference, which the FMA attended, the representatives dealt intensively with questions of financial market stability and adopted the IAIS Insurance Core Principles, Standards, Guidance and Assessment Methodology (ICP), which is accepted worldwide and is used by international organizations as a benchmark for evaluating the stability of national and international financial markets.

International Organisation of Pension Supervisors (IOPS)

IOPS is the international umbrella organization of the supervisory authorities for institutions for occupational retirement provision, with the goal of optimizing the quality and effectiveness of supervision of private pension systems worldwide by way of international standards. The organization, founded in 2004, meanwhile has more than 70 members from more than 60 countries. In 2011, the members continued self-assessments on the application of the IOPS Principles of Private Pension Supervision. The FMA was actively involved as a member. Interesting strengths and gaps in supervisory practice around the world were examined. The goal is to deal with the identified problems and persuade other international bodies to recognize the existing principles.

Enlarged Contact Group on the Supervision of Collective Investment Funds (ECG)

The annual meeting of the Enlarged Contact Group on the Supervision of Collective Investment Funds was held this year in Liechtenstein for the first time, under the leadership of the FMA. In addition to discussions of current regulatory developments and questions arising in supervisory practice, the 22 delegates from 18 national supervisory authorities of countries such as South Africa, Singapore, the United States and numerous European countries got to know the Liechtenstein fund center and were able to strengthen informal contacts with each other. The event was rounded off by a reception at Vaduz Castle with H.S.H. Prince Hans-Adam II von und zu Liechtenstein. Next year, the conference will take place in Luxembourg.

3.2.2 European cooperation

Level 2

The "Level 2" committees (EBC, ESC, EIOPC) support the European Commission in the elaboration of technical implementing provisions for the framework legislation enacted by the EU bodies at Level 1. These committees also advise the Commission on technical questions. As an EEA member, Liechtenstein has observer status in the committees. This allows the FMA to gain first-hand background information about ongoing regulatory projects at the European level.

European Banking Committee (EBC)

The EBC's work in 2011 was heavily influenced by the financial crisis. The EBC was engaged in several projects as a direct or indirect consequence of the financial crisis. One focus was on changes to the Capital Requirements Directive (CRD IV). The draft was presented to the Commission in July. In addition, the EBC accompanied the work on an EU framework for crisis management and the revision of the Deposit Guarantee Directive and the Financial Conglomerates Directive. The work program also included a possible framework regulation for future bank collapses. In 2011, Liechtenstein was represented at the EBC by representatives of the Government and the FMA.

European Securities Committee (ESC)

The ESC met a total of four times in 2011. The work of the committee focused especially on the MiFID review of 8 December 2010 and associated revisions relating to the upcoming MiFID Directive and Regulation. Some of the key themes were: creation of a stricter framework for algorithmic/high-frequency trading and a licensing requirement for high-frequency traders; classification of UCITS as non-complex financial instruments with regard to "execution only"; prohibition of inducements for the provision of independent advice; discussion concerning the new fund category "social investment funds"; harmonization of central depositories for more security for the high settlement volumes in the EU.

European Insurance and Occupational Pensions Committee (EIOPC)

The focus areas in the reporting year continued to be the implementing measures for the Solvency II Framework Directive. The following regulatory projects were also on the agenda in 2011: revision of the Insurance Mediation Directive (IMD), revision of the Directive on the activities and supervision of institutions for occupational retirement provision (IORP Directive), and the White Paper on Insurance Guarantee Schemes.

Committee on the Prevention of Money Laundering and Terrorist Financing (CPMLTF)

This committee supports the European Commission on questions relating to combating money laundering and terrorist financing. In the reporting period, the committee dealt in particular with the preparatory work for enactment of the 4th EU Money Laundering Directive and questions of third-country equivalence. In this connection, European implementation of FATF Special Recommendation IX (cash couriers) and Special Recommendation VII (wire transfers) were also discussed. The discussions relating to enactment of the 4th EU Money Laundering Directive focus primarily on experiences from the third-round reports of the member states and the identified weaknesses of the current directive. The revised FATF standards will also have a significant influence. The new directive is not expected to enter into force before the end of 2012.

Level 3

With the creation of the new European supervisory structure on 1 January 2011, the previous three Level 3 committees (CEBS, CEIOPS, and CESR) were transformed into three new European supervisory authorities (EBA, ESMA, EIOPA) and endowed with their own legal personality. Their scope of responsibilities, competences, and associated supervisory rights were expanded substantially. By developing legally binding standards as well as legally not directly binding guidelines and recommendations, the supervisory authorities are intended to ensure consistent and equivalent implementation and application throughout Europe of the rules elaborated at Level 1 and Level 2, and in this way to develop a uniform supervisory practice.

There is now the European Banking Authority (EBA) headquartered in London, the European Insurance and Occupational Pensions Authority (EIOPA) headquartered in Frankfurt, and the European Securities and Markets Authority (ESMA) headquartered in Paris. Liechtenstein, represented by the FMA, was already represented in the predecessor committees CEBS and CEIOPS and was able to achieve observer status in ESMA, formerly CESR, in May 2011. Until the legal acts establishing the new European supervisory authorities are incorporated, the FMA will have observer status in these bodies on an ad hoc basis. Since the new EU authorities have far-reaching competences, adjustments compatible with the EEA Agreement were discussed together with the EEA/EFTA partners Norway and Iceland, which will be finalized in 2012 and incorporated into the EEA Agreement.

In principle, the new European supervisory system provides for a division of responsibilities between national supervision and the three European Supervisory Authorities (ESAs). While the national supervisory authorities will continue to be responsible for ongoing supervision (analysis, on-site inspections, etc.), the ESAs are in principle granted a surveillance and inspection function with enforcement powers. To exercise these competences, the authorities are given direct or indirect decision-making competence at the levels of a) the national supervisory authority, b) the individual institution, and c) the national market (financial services, products). Their decisions are then superordinate to the decisions of the national supervisory authorities (within the EU). Moreover, they are granted extensive investigation and information rights. Inclusion of Liechtenstein within the context of the EEA Agreement would thus require adjustments relating to intervention and decision-making competences as well as information rights.

European Banking Authority (EBA)

At the beginning of the year, the EBA was still heavily involved with its own constitutive questions as well as cooperation with other authorities. At the same time, the work initiated by the predecessor committee CEBS was continued and completed. A stress test for 2011 was also prepared and carried out. As a result of the stress test in summer 2011, some banks were obliged to increase their equity capital. In autumn 2011, the stress test was supplemented in regard to the valuation of government bonds, which now were to be valued at market value in the banking book as well. This entailed further substantial

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capital requirements for the tested European banks. These capital requirements are temporary and must be met until the end of June 2012. 90 European banks were tested in cooperation with the European Central Bank, the European Commission, and the EU national supervisory authorities. In addition, the EBA revised the Common Reporting Framework (a standardized reporting system throughout Europe) and published guidelines on internal governance, and it prepared comments and working papers on various other technical questions. The FMA is actively monitoring these developments and contributes as an observer to the EBA.

European Securities and Markets Authority (ESMA)

ESMA is the European Securities and Markets Authority, which emerged from the Committee of European Securities Regulators (CESR) on 1 January 2011. In May, the FMA was invited by ESMA to take part as an observer in the Board of Supervisors, the committees, and the working groups. The invitation is in part a consequence of the adjustment of Liechtenstein administrative assistance with respect to securities supervision, for which the Government and Parliament cleared the path at the end of 2010. Participation allows the FMA Liechtenstein to network better with its European partner authorities. This also gives the FMA access to timely information on supervisory developments – especially also relating to investment funds – that have an impact on Liechtenstein financial intermediaries.

In the reporting period, the FMA took part in four ESMA Board of Supervisors meetings and three meetings of the Investment Management subcommittee. In the latter, questions relating to UCITS and the AIFM Directive are discussed in particular. In November 2011, ESMA published its final recommendations on the implementing measures for the AIFM Directive. The publication was preceded by two consultations. With a total of more than 150 reactions, the interest of the market participants was especially great. For certain types of structured UCITS, ESMA presented guidelines on risk management and the calculation of global exposure.

Additionally, the rating agencies were in the focus of ESMA's regulatory efforts. Since 1 July 2011, rating agencies have been able to apply to ESMA for registration. Registration covers the entire territory of the EU. In addition, topics such as prohibitions of short sales, OTC derivatives, and technical proposals in connection with the supplemented Prospectus Directive characterized the work of ESMA.

European Insurance and Occupational Pensions Authority (EIOPA)

The key topic at EIOPA in the reporting year was the implementation of Solvency II and the supplementary Omnibus II Directive. Several committees and working groups within EIOPA contribute to finalization of the Level 2 measures and develop technical standards and recommendations at Level 3. In the area of pensions and occupational pension provision, a contribution was made to the call for advice by the European Commission concerning revision of the IORP Directive; in the area of consumer protection, improvement of the treatment of consumer complaints was also on the EIOPA agenda.

Sub-Committee on Anti Money Laundering (AMLC)

The Sub-Committee on Anti Money Laundering (AML Committee, AMLC) is a subcommittee of the joint committee of the three European Supervisory Authorities (EBA, ESMA, EIOPA) and is responsible for regulatory and supervisory questions relating to money laundering and terrorist financing. The AMLC offers an important platform for exchange of experiences on supervision law. The AMLC's mandate is to contribute specialized input within the framework of the 3rd EU Money Laundering Directive, the Payment Services Directive, the E-Money Directive, and the Regulation on Transfers of Funds, to the extent supervisory measures relating to money laundering are concerned.

In the reporting year, the AMLC prepared especially two internal reports on implementation of certain obligations arising from the 3rd EU Money Laundering Directive and the relevant supervisory practice in individual EEA member states. One of the questions concerned due diligence with respect to beneficial owners; the other concerned the provisions governing simplified due diligence. The findings from these studies will be incorporated into the work on the 4th EU Money Laundering Directive.

EU Passport Experts Group

The EU Passport Experts Group is composed of experts from the competent supervisory authorities of all EEA countries in the fields of banking, insurance, and securities supervision. The annual meetings, which rotate among EEA countries, serve to improve the cooperation of supervisory authorities in the context of the European notification regime (EU passport) and thus to ensure that domestic financial intermediaries have access to the European market. This year, the FMA for the first time was granted the opportunity to organize the next meeting in Liechtenstein in autumn 2012.

EFTA Working Group on Financial Services (WGFS)

At the EFTA level, the FMA regularly took part in the meetings of the WGFS, in which the EU legislation is discussed whose incorporation into the EEA Agreement is imminent. This body offers the valuable opportunity to discuss implementation issues arising in the context of ongoing European regulatory projects with representatives of the EU Commission and the other EFTA members states and thereby to advance coordination with the FMA as early as possible.

4-country meeting

The annual 4-country meeting of the German-speaking supervisory authorities took place in Germany. At this meeting, the supervisory authorities from Switzerland, Germany, Austria, and Liechtenstein dealt with supervisory questions relating to systemic risks in banking, the distribution of financial products, and the topic of boards of directors and guarantees.

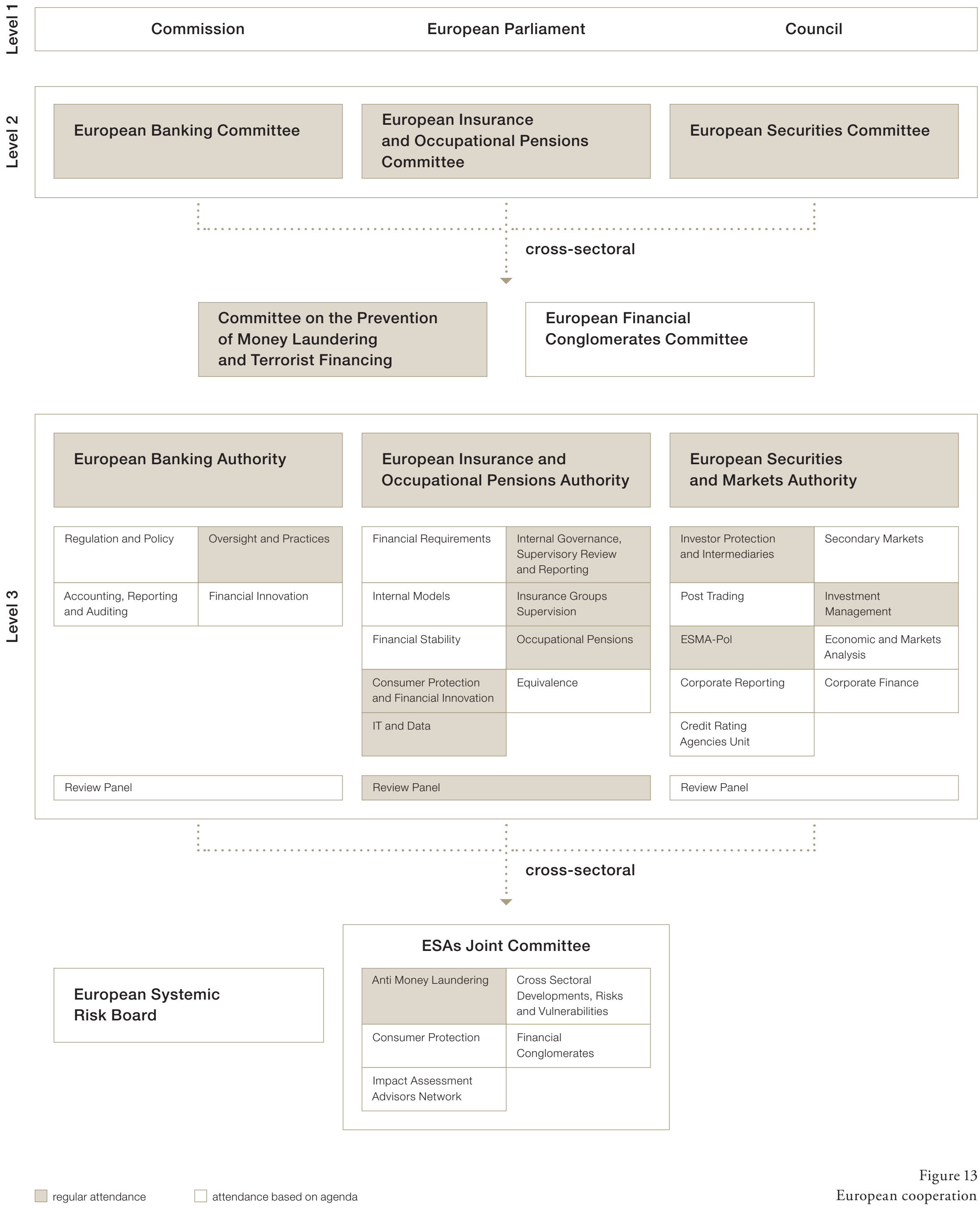

Figure 13
European cooperation

3.3 Bilateral cooperation

In the reporting year, the FMA was able to further strengthen its bilateral relations by concluding three memoranda of understanding: an agreement with the Russian securities supervisory authority as well as cooperation agreements in banking supervision with the Slovenian and the Russian central bank.

As part of consolidated banking supervision, the FMA maintained close contacts with FINMA, the Swiss National Bank, the FMA Austria, BaFin, CSSF Luxembourg, the Hong Kong Monetary Authority, and the Monetary Authority of Singapore. Within the framework of the institutionalized contacts with the Swiss National Bank, the reporting duties of banks arising from the Currency Treaty as well as financial stability topics were discussed in particular.

In securities supervision, bilateral contacts concentrated on FINMA and the FMA Austria. The talks focused especially on general issues relating to funds.

In addition, the abovementioned European and international bodies as well as international cooperation in securities supervision offered important opportunities for bilateral exchanges with important partner authorities.

Direct Insurance Agreement between Switzerland and Liechtenstein

As part of the existing agreement between Liechtenstein and Switzerland on direct insurance and insurance intermediaries, several working meetings took place between the FMA and FINMA on current insurance- and intermediary-specific topic. Questions were discussed in particular that arose in connection with the cross-border activities of institutions. Natural hazard insurance and the continuation of the equivalence review of both bodies of supervision law were further focus areas during the reporting year.

Agreement concerning exercise of the responsibilities of the Liechtenstein Guarantee Fund

Each year, a working meeting takes place between the Swiss Federal Social Insurance Office, the Guarantee Fund, and the FMA within the framework of the agreement between the Swiss Federal Council and the Government of Liechtenstein concerning exercise of the responsibilities of the Liechtenstein Guarantee Fund. At this meeting, current developments in the pension scheme market, legal developments in Switzerland and Liechtenstein, and the work of the Guarantee Fund were discussed.

4

4.1 Organization

4.1.1 Organizational structure

The FMA was reorganized in 2010. The year 2011 showed that the FMA is able to carry out its responsibilities efficiently and effectively under the new organizational structure. The FMA encompasses the following supervisory divisions: Banking, Securities, Insurance and Pension Funds, and Other Financial Intermediaries. The Executive Office covers the following functions: Legal, International Affairs, Communications, and Macroprudential Supervision. Central Services perform the cross-divisional services of Finance and Human Resources, IT and Projects, Infrastructure, and Reception. Integrated supervision was strengthened in the reporting year through the establishment of cross-divisional working groups.

4.1.2 Organizational regulation

The Public Enterprise Act (PEA) requires public enterprises to enact an organizational regulation. The FMA's regulation was completely revised and brought to the attention of the Government in January 2011. It governs the constitution, decision-making, responsibilities, and powers of the Board of Directors and the Executive Board. The basis for the organizational regulation consists of the FMA Act, the statutes, and the Government's owner's strategy for the FMA.

4.1.3 Financing

The financing basis of the FMA, which was revised in 2010, entered into effect on 1 February 2011. The FMA has reflected the new legislative requirements in its internal processes and implemented them in a timely manner.

4.1.4 Service agreement

On the basis of the PEA, the FMA Act, and the owner's strategy, a service agreement was concluded between the Government and the FMA on 7 June 2011 governing regulatory cooperation. It provides that the FMA will support the Government with its expertise in regulatory projects and other financial market questions and play an active role. The responsibility for financial market regulation lies with the Government.

4.2 Corporate development

4.2.1 Human resources management

In the reporting year, management principles for management staff were defined, and a management manual was compiled. The management principles constitute the binding basis for management work and aim to contribute to a uniform understanding of management. To strengthen the management and social skills of management staff, training sessions have also been offered.

For the first time in the reporting year, employees were able to choose from internal training courses. All the courses are offered and taught by FMA employees. The training courses are an important instrument for knowledge transfer and growth among employees with respect to topics specific to the enterprise and Liechtenstein. The FMA also regularly invites experts to speak on current topics relating to supervision.

4.2.2 Infrastructure and security

In December 2010, the FMA relocated to its new location at Landstrasse 109 in Vaduz. With the relocation to the new premises, the FMA staff members were again united under a single roof, and they now have modern infrastructure at their disposal. The security system was designed so that visitors encounter an FMA that is as open as possible without endangering security in any way. The visitor and office zones were strictly separated for this purpose in terms of rooms and security technology. The system has worked out very well in practice.

4.2.3 Information technology

Based on the IT strategy, the FMA tackled several important topics in 2011. For instance, the structures and processes for implementation of the defined IT governance were implemented, and an IT architecture process was established. Additionally, a concrete framework for implementing the new service agreement was defined with the IT office of the National Public Administration. This has made it possible for the FMA to further consolidate its IT resources and increase their standardization.

In the reporting year, the FMA issues two calls for tenders to evaluate IT systems. First, a platform was selected as a basis for the future FMA website and the new FMA intranet. Second, the FMA decided on a central master database and document management system. The introduction of these new systems will take place predominantly in 2012 in close consultation with the IT office of the National Public Administration.

Another topic was the continuous improvement of information and IT security. The focus was on training and sensitization of employees, and training sessions were offered to this effect.

4.3 Finances

Pursuant to article 28 of the Financial Market Authority Act (FMA Act), the FMA is funded by a State contribution, supervisory taxes and fees, and income from the provision of services.

In its meeting of 21 December 2010, the Government approved the 2011 FMA budget with a state contribution of CHF 10,000,000 and expenses of CHF 19,270,000. The actual expenses for the 2011 business year were CHF 18,415,749. This corresponds to CHF 854,251 (4.4%) less than the approved budget.

Income amounted to CHF 18,311,771. Minus the total expenses of CHF 18,415,749, the accounts closed with an annual loss of CHF 103,978.

Personnel expenses in the 2011 business year amounted to CHF 12,393,207 and were thus CHF 1,201,793 (8.8%) lower than budgeted. The main reason for this is that the budget assumed that all positions would be filled from the beginning of the year. However, some positions were filled only over the course of the 2011 business year.

Material expenses at CHF 4,447,118 were CHF 302,882 (6.4%) lower than budgeted. These savings were achieved especially by lower expenses relating to travel costs, premises, public outreach, and other expenses.

Write-downs totaled CHF 1,575,424. This amount is primarily due to non-reimbursed investigation costs relating to supervision cases in the Securities Division. The financial intermediaries in question are in liquidation or have filed for bankruptcy. In the assessment of the responsible division, reimbursement of procedural costs pursuant to article 26(5) of the FMA Act must be ruled out at the time of the financial statement.

In the 2011 business year, the FMA recorded an annual loss of CHF 103,978. This loss is compensated by drawing on the reserves. After withdrawal of CHF 103,978, the reserves amounted to CHF 9,242,878 as of 31 December 2011.

The new financing solution entered into effect on 1 February 2011. All provisional invoices for supervisory taxes in 2011 were sent out before the end of the business year.

Balance sheet as of 31 December 2011 (in CHF)

Assets

Assets		2011	2010
Fixed assets			
Tangible assets	– IT equipment	147,039.95	121,868.47
	– Furnishings	290,230.37	334,093.31
	– Operating equipment	1,459,112.12	892,559.29
Current assets			
Liquid assets	– Cash	517.55	240.40
	– Bank	9,794,795.67	7,067,247.56
Receivables	– Debtors	1,771,546.30	25,000.00
	– Del credere	–32,400.00	–
Accrued items			
	– Accounts paid in advance	1,025,824.21	5,332,142.60
TOTAL ASSETS		**14,456,666.17**	**13,773,151.63**

Liabilities

Liabilities			2011		2010
Equity capital					
	– Endowment	2,000,000.00		2,000,000.00	
	– Reserves as of 1 January	9,346,856.60		4,376,086.49	
	– Allocation to reserves	–103,978.16		4,970,770.11	
	– Own funds	11,242,878.44	11,242,878.44	11,346,856.60	11,346,856.60
Provisions					
	– Provisions		50,000.00		50,000.00
Accounts payable					
	– Creditors		1,492,741.51		1,556,215.60
	– National Public Administration offset account		1,670,168.23		801,446.66
Deferred items					
	– Accounts received in advance		877.99		18,632.77
TOTAL LIABILITIES			**14,456,666.17**		**13,773,151.63**

Income statement from 1 January 2011 – 31 December 2011 (in CHF)

Expenses	Actual 2011	Budget 2011	Deviation	Actual 2010
Personnel expenses				
Wages	9,330,900.52	10,160,000.00	–829,099.48	9,332,431.92
Social security contributions	1,746,543.50	2,015,000.00	–268,456.50	2,040,971.45
Insurance (sickness daily allowances)	102,134.45	100,000.00	2,134.45	142,584.45
Insurance benefits (sickness daily allowances)	–85,346.50	–	–85,346.50	–83,524.75
Other personnel expenses	404,027.22	395,000.00	9,027.22	533,785.90
Basic and continuing training	223,446.01	240,000.00	–16,553.99	222,060.60
Basic compensation for Board of Directors	671,501.66	685,000.00	–13,498.34	528,720.24
Consulting fees for Board of Directors	–	–	–	153,576.00
Total personnel expenses	**12,393,206.86**	**13,595,000.00**	**–1,201,793.14**	**12,870,605.81**
Material expenses				
Office expenses	182,322.37	200,000.00	–17,677.63	183,965.80
Travel expenses	334,677.92	460,000.00	–125,322.08	284,867.45
Expert fees/opinions	733,151.86	770,000.00	–36,848.14	657,749.45
Auditing companies	1,480,979.10	–	1,480,979.10	–
Reimbursements from auditing companies	–1,480,979.10	–	–1,480,979.10	–
Premises	1,981,852.10	2,035,000.00	–53,147.90	1,026,425.40
Insurance	51,790.35	50,000.00	1,790.35	47,694.30
IT costs	666,102.50	620,000.00	46,102.50	641,897.60
Public outreach	122,816.47	200,000.00	–77,183.53	126,107.65
Events and representation	71,658.84	95,000.00	–23,341.16	23,585.85
Membership fees for associations/institutions	128,893.21	110,000.00	18,893.21	63,665.55
Audit expenses	84,391.20	65,000.00	19,391.20	74,808.80
Other expenses	89,460.72	145,000.00	–55,539.28	155,257.07
Total material expenses	**4,447,117.54**	**4,750,000.00**	**–302,882.46**	**3,286,024.92**
Write-downs				
Write-downs on IT equipment	120,985.87	600,000.00	–479,014.13	151,103.37
Depreciation on furnishings	117,695.09	100,000.00	17,695.09	111,712.27
Depreciation on operating equipment	173,142.82	225,000.00	–51,857.18	99,173.26
Write-downs on debtors	23,975.50	–	23,975.50	–
Write-downs on external costs of auditing companies	1,139,625.15	–	1,139,625.15	–
Total write-downs	**1,575,424.43**	**925,000.00**	**650,424.43**	**361,988.90**
TOTAL EXPENSES	**18,415,748.83**	**19,270,000.00**	**–854,251.17**	**16,518,619.63**
Annual surplus (allocated to reserves)	**–**	**–**	**–**	**4,970,770.11**
	18,415,748.83	**19,270,000.00**		**21,489,389.74**

Income	Actual 2011	Budget 2011	Deviation	Actual 2010
Licensing fees	782,700.00	890,000.00	–107,300.00	688,930.00
Supervisory taxes	7,086,020.60	8,243,000.00	–1,156,979.40	8,807,276.35
Auditing fees	84,391.20	42,000.00	42,391.20	74,808.80
Other fees	104,542.20	10,000.00	94,542.20	74,100.00
Other income	23,116.67	85,000.00	–61,883.33	99,925.29
Income related to other periods (reimbursements)	231,000.00	–	231,000.00	1,044,349.30
Total income	**8,311,770.67**	**9,270,000.00**	**–958,229.33**	**10,789,389.74**
State contribution	10,000,000.00	10,000,000.00	–	10,700,000.00
TOTAL INCOME	**18,311,770.67**	**19,270,000.00**	**–958,229.33**	**21,489,389.74**
Annual deficit (dissolution of reserves)	**103,978.16**	**–**	**–**	**–**
	18,415,748.83	**19,270,000.00**		**21,489,389.74**

Notes on the 2011 financial statement

Financial accounting principles

According to article 32 of the FMA Act, the supplementary provisions for specific company forms set out in the Law on Persons and Companies (PGR) apply to the preparation of the business report (financial statement and annual report). The FMA uses the provisions for large companies in this regard.

These provisions demand essentially that the financial statement give a true and fair view of the asset, financial, and income situation.

Balancing and valuation methods

Tangible assets are valued at acquisition costs, reduced by depreciation. Depreciation is linear, based on the acquisition costs. The depreciation guideline sets out the following durations of use:

Category	Duration of use
IT equipment	3 years
Furnishings	5 years
Operating equipment	10 years

Figure 14
Duration of use

Receivables are calculated at par value, minus any required value adjustments.

Provisions are to be calculated so as to take sufficient account of all recognizable risks according to a reasonable commercial assessment.

Accounts payable are valued at par value or at the repayment amount, whichever is higher.

Foreign exchange rates

The FMA only invoices in CHF. Liabilities in currencies other than CHF are booked at the applicable daily exchange rate.

Receivables

All receivables have a maturity of less than one year.

Fixed assets

The development of the individual fixed asset items is presented separately in the assets analysis:

	Acquisition costs 1.1.2011	Acquisitions	Divestitures	Acquisition costs 31.12.2011	Balance 1.1.2011	Acquisitions	Divestitures	Balance 31.12.2011	Balance 1.1.2011	Balance 31.12.2011
Tangible assets	**Acquisition costs**				**Depreciation**				**Amortized value**	
IT equipment	216,800.25	146,157.35	0.00	362,957.60	94,931.78	120,985.87	0.00	215,917.65	121,868.47	147,039.95
Furnishings	514,643.30	73,832.15	0.00	588,475.45	180,549.99	117,695.09	0.00	298,245.08	334,093.31	290,230.37
Operating equipment	991,732.55	739,695.65	0.00	1,731,428.20	99,173.26	173,142.82	0.00	272,316.08	892,559.29	1,459,112.12
TOTAL	**1,723,176.10**	**959,685.15**	**0.00**	**2,682,861.25**	**374,655.03**	**411,823.78**	**0.00**	**786,478.81**	**1,348,521.07**	**1,896,382.44**

Figure 15
Assets analysis

Provisions

As part of accounting under the Law on Persons and Companies (PGR), all provisions are reassessed each year, justified, and adjusted where necessary. The provisions include litigations risks in the amount of CHF 50,000.

Long-term liabilities

In December 2010, the FMA moved into a new building. A rental contract was signed for this purpose between a general contractor and the FMA. A rental term of 20 years was agreed. The annual rent amounts to approximately CHF 1.8 million (including ancillary costs). In summer 2010, the building was bought by the Liechtenstein Old Age and Survivors' Insurance Authority (AHV). The rental contract was taken over without changes.

Remuneration of the Board of Directors and the members of the Executive Board (article 1092(9)(a) PGR)

a) Board of Directors

Total remuneration for the members of the Board of Directors in the 2011 business year was CHF 671,502. The members of the Board of Directors were elected by Parliament in its meeting of 17 December 2009 for a term from 2010 to 2014. In its decision RA 2010/687-0314 of 30 March 2010, the Government specified the following remuneration:

- Basic compensation for the Chairman
- Basic compensation for the Vice-Chairman
- Basic compensation for other members
- Attendance fee for each full day

The basic compensation for the Vice-Chairman and the other members was given a new basis with RA 2011/1264-0660 adopted by the Government on 1 July 2011. In its meeting of 24 May 2011 and pursuant to article 4(a) of the PEA, the Government appointed Dr. Ivo Furrer effective 1 July 2011 as the successor of Peter Huber, who resigned from the FMA Board of Directors, for a term of five years as a Member of the FMA Board of Directors.

Effective 31 December 2011, Michael Lauber resigned as Chairman of the Board of Directors. Effective 1 January 2012, the Government appointed Dr. Urs Philipp Roth-Cuony as the new Chairman of the Board of Directors (RA 2011/2351-0314).

b) Executive Board

The gross remuneration of the members of the Executive Board in the 2011 business year was CHF 1,488,736.29 without social security contributions.

The members of the Executive Board are appointed by the Board of Directors.

As of 31 December 2011, the Executive Board was composed of the following members:

- Mario Gassner, Chief Executive Office and Head of the Securities Division (a.i.)
- Dr. Alexander Imhof, Deputy of the CEO and Head of the Insurance and Pension Funds Division
- Rolf Brüggemann, Head of the Banking Division
- Robert Rastner, Head of the Other Financial Intermediaries Division

Effective 1 August 2011, the Board of Directors appointed Robert Rastner as the new Head of the Other Financial Intermediaries Division and Member of the Executive Board. Tobias Wanner resigned as Head of the Securities Division and Member of the Executive Board effective 4 August 2011. CEO Mario Gassner headed the division on an interim basis until 31 December 2011. Effective 1 January 2012, the Board of Director appointed Marcel Lötscher as the new Head of the Securities Division and Member of the Executive Board.

Workforce

As of 31 December 2011, the FMA had a total of 80 staff members (previous year: 71). 63 staff members had full-time contracts and 16 had part-time contracts. One staff member had a temporary employment contract. It total, the FMA had 73.9 full-time equivalents as of 31 December 2011.

Category	Persons	Positions
Permanent full-time	63	63
Permanent part-time	16	10.9
TOTAL POSITIONS FILLED	**79**	**73.9**
Temporary appointments	1	1
Workforce as of 31.12.2011	80	74.9
Vacant positions		0.5
TOTAL FMA	**80**	**75.4**
Interns	2	1.5

Figure 16
Workforce

Attestation of the National Audit Office

FINANZKONTROLLE
FÜRSTENTUM LIECHTENSTEIN

Report of the National Audit Office to the Government of the Principality of Liechtenstein concerning

the Financial Market Authority (FMA) Liechtenstein

As the Audit Office within the meaning of article 19 of the Law on the Financial Market Authority (FMA Act), we have audited the accounting, the annual financial statement (balance sheet, income statement, and notes) and the annual report of the Financial Market Authority (FMA) Liechtenstein for the business year ending 31 December 2011.

The Board of Directors is responsible for the annual financial statement and the annual report, while our task consists in auditing and evaluating them.

Our audit was conducted in line with the principles of the profession, according to which an audit must be planned and carried out so that significant false statements in the annual financial statement and the annual report are recognized with appropriate certainty. We audited the items and information contained in the annual financial statement by means of analyses and surveys on the basis of samples. Moreover, we evaluated the application of the relevant accounting principles, the significant valuation decisions, and the presentation of the annual account statement as a whole. We are of the view that our audit constitutes a sufficient foundation for our judgment.

According to our evaluation, the annual account statement conveys a picture of the asset, financial, and income situation that corresponds to the actual facts, in compliance with Liechtenstein law. Furthermore, the accounting, the annual financial statement, and the annual report comply with Liechtenstein law, the Law on the Financial Market Authority (FMA Act), and the statutes.

The annual report is in accordance with the annual financial statement. We recommend that the present annual financial statement be approved.

NATIONAL AUDIT OFFICE
of the Principality of Liechtenstein

Cornelia Land
Director

Oliver Hermann
Deputy Director

Vaduz, 9 March 2012

LIECHTENSTEIN

5

Development of workforce

Changes/ Promotions

Staff makeup

Nationalities

Development of the workforce

As of 31 December 2011, the FMA employed 80 staff members (previous year: 71). The share of women was 44%. 63 staff members were employed full-time and 16 part-time. One staff member was temporarily employed. An equivalent of 73.9 full-time positions were filled as of 31 December 2011. 12 staff members left the FMA. Compared with the previous year, fluctuation was thus reduced by half.

Changes/Promotions

Effective 4 August 2011, Tobias Wanner resigned as the Head of the Securities Division and as a Member of the Executive Management. CEO Mario Gassner headed the division ad interim until 31 December 2011. Effective 1 January 2012, the Board of Directors appointed Marcel Lötscher as the new Head of the Securities Division and Member of the Executive Board. Additionally, the Board of Directors appointed Robert Rastner effective 1 August 2011 as the new Head of the Other Financial Intermediaries Division and Member of the Executive Board.

Staff makeup

The staff is made up of 41% jurists and 28% economists; 11% are specialists such as auditors, banking experts, and actuaries. 20% of the employees are officers or have a different educational background.

Nationalities

28% of employees were Liechtenstein citizens, 31% Swiss citizens, 29% Austrian citizens, and 10% German citizens. 2% of the employees had a different nationality. The share of Liechtenstein employees increased from 25% to 28% over the previous year.

ANNEX

FMA Annual Report 2011

Financial market participants under the supervision of the FMA as of 31 December 2011

	2005	2006	2007	2008	2009	2010	2011	+/–
Banks/Investment firms/Liechtenstein Postal Service								
Banks	16	16	16	15	16	17	17	0
Investment firms (from 1.11.2007)	–	–	0	0	0	0	0	0
Payment institutions (from 1.11.2009)	–	–	–	–	–	0	0	0
Liechtenstein Postal Service	1	1	1	1	1	1	1	0
Audit offices pursuant to the Banking Act	9	9	10	8	8	8	7	–1
Asset management companies								
Asset management companies (from 1.1.2006)	–	48	90	102	102	107	107	0
Investment undertakings								
Active management companies	–	28	27	28	27	24	22	–2
of which fund managements		19	20	21	21	21	21	
of which investment companies		9	7	7	6	3	1	
Domestic investment undertakings	166	208	303	364	411	469	535	66
of which segmented	45	48	59	67	78	91	86	
with a total of segments (individual funds)	156	179	224	252	285	315	336	
Foreign investment undertakings	239 1)	137	136	112	95	82	84	2
of which segmented	56	13	18	19	22	20	21	
with a total of segments (individual funds)	659	48	89	92	98	114	109	
Audit offices pursuant to the IUA	10	10	10	10	11	11	10	–1
Entitled to market units pursuant to the IUA (from 1.9.2005)	–	6	8	11	12	14	13	–1
Insurance undertakings								
Insurance companies domiciled in Liechtenstein	32	35	37	42	41	40	40	0
Audit offices pursuant to the ISA	10	10	9	9	9	10	11	1
Insurance intermediaries								
Insurance intermediaries (from 1.7.2006)	–	3	35	64	70	71	69	–2
Pension schemes								
Pension schemes	41	39	36	34	33	33	29	–4
Audit offices pursuant to the OPA	–	0	12	12	13	14	14	0
Pension insurance experts pursuant to the OPA	–	0	10	13	13	14	13	–1
Pension funds								
Pension funds	–	0	2	4	5	5	6	1
Other financial intermediaries								
Professional trustees	86	84	88	85	83	77	79	2
Professional trustees with restricted license	27	27	27	28	26	23	21	–2
Trust companies	295	277	257	260	262	264	263	–1
Trust companies with restricted license	13	15	17	19	24	28	29	1
Auditors	24	24	23	23	24	25	23	–2
Auditing companies	26	25	24	26	26	26	24	–2
Lawyers	116	124	128	133	147	150	164	14
Liechtenstein lawyers eligible for registration	55	55	63	64	60	66	61	–5
European lawyers established in Liechtenstein	18	19	20	27	25	25	27	2
Law firms	28	26	25	26	28	28	29	1
Branches of law firms	1	0	0	1	1	1	1	0
Apprentice lawyers	64	71	65	71	66	67	56	–11
Legal agents	5	5	5	5	5	4	4	0
Patent lawyers	13	13	10	10	10	9	9	0
Patent law firms	5	4	4	4	3	3	3	0
Persons with a certification under article 180a PGR 2)	461	495	505	513	532	546	533	–13
Exchange offices 3)	1	2	2	0	0	0	0	0
Real estate brokers 3)	16	18	18	21	24	25	7	–18
Dealers in goods 3)	17	37	38	39	42	42	11	–31
Casinos	0	0	0	0	0	0	0	0
Other persons subject to due diligence 3)	21	27	28	30	32	35	32	–3
TOTAL (including double counts)	**1816**	**1898**	**2089**	**2214**	**2287**	**2364**	**2354**	**–10**

* subject to the DDA since 1.2.2005
1) The strong decrease in foreign investment undertakings is due to the fact that notified financial market participants were reported separately for the first time as of 1 December 2006.
2) No guarantee of correctness
3) Information based especially on the notification requirement under article 3(3) DDA

Figure 17
Financial market participants under the supervision of the FMA as of 31 December 2011

Financial market participants under the supervision of the FMA pursuant to the free movement of services as of 31 December 2011

	2005	2006	2007	2008	2009	2010	2011	+/–
Banks/Investment firms								
Free movement of services of EEA banks	88	108	141	171	179	187	199	12
Free movement of services of EEA investment firms	737	840	1049	1624	1699	1787	1946	159
Free movement of services of EEA payment institutions	0	0	0	0	0	31	72	41
Branches of EEA investment firms	1	1	1	1	0	0	0	0
Free movement of services of e-money institutions	–	–	5	7	7	7	7	0
Free movement of services of multilateral trading systems (from 1.11.2007)	–	–	2	2	2	2	2	0
Insurance undertakings								
Free movement of services of EEA and Swiss undertakings	225	240	271	346	375	212	267	55
Branches of Swiss undertakings	23	26	25	25	22	22	22	0
Branches of EEA undertakings	1	1	1	1	1	1	1	0
Management companies and investment undertakings								
Free movement of services of EEA management companies	–	1	3	4	5	6	9	3
Free movement of services of EEA investment undertakings	–	103	110	107	95	111	114	3
of which segmented	–	42	49	52	53	60	61	
with a total of segments (individual funds)	–	694	773	793	841	965	933	
Branches of EEA management companies	–	0	0	0	0	1	1	0
Other financial intermediaries								
Auditors engaging in free movement of services	2	3	5	5	5	6	9	3
Auditing companies engaging in free movement of services	20	21	21	21	23	22	22	0
TOTAL	**1097**	**1344**	**1634**	**2314**	**2413**	**2395**	**2671**	**276**

In addition to this quarterly overview of financial market participants, other continuously updated figures per division are available at www.fma-li.li (Servicepoint/Publikationen/Listen).

Grafik 18
Financial market participants under the supervision of the FMA pursuant to the free movement of services as of 31 December 2011

Laws subject to supervision and enforcement by the FMA as of 31 December 2011

1. Law on Banks and Investment Firms (Banking Act)
2. Law on the Business of E-Money Institutions (E-Money Act)
3. Law on the Liechtensteinische Landesbank
4. Payment Services Act (PSA)
5. Law on Settlement Finality in Payment and Securities Settlement Systems (Settlement Finality Act; SFA)
6. Law on the Disclosure of Information concerning the Issuers of Securities (Disclosure Act)
7. Securities Prospectus Act (SPA)
8. Investment Undertakings Act (IUA)
9. Law on the Liechtenstein Postal Service (Postal Act)
10. Lawyers Act
11. Professional Trustees Act (PTA)
12. Auditors and Auditing Companies Act (AACA)
13. Patent Lawyers Act (PLA)
14. Law on the Supervision of Insurance Undertakings (Insurance Supervision Act; ISA)
15. Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act; DDA)
16. Occupational Pensions Act (OPA)
17. Law on Insurance Protection of Buildings against Fire Damage and Damage from Natural Hazards (Building Insurance Act; BIA)
18. Asset Management Act (AMA)
19. Insurance Mediation Act (IMA)
20. Law on the Supervision of Institutions for Occupational Retirement Provision (Pension Funds Act; PFA)
21. Law against Market Abuse in the Trading of Financial Instruments (Market Abuse Act; MAA)
22. Law on Takeover Bids (Takeover Act)
23. Law on the Supplemental Supervision of Undertakings in a Financial Conglomerate (Financial Conglomerates Act; FCA)
24. Law on Pension Insurance for State Employees (Pension Insurance Act; PIA)
25. Law on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act)

Organizational chart as of 31 December 2011

Board of Directors
Michael Lauber, Chairman
Prof. Dr. Roland Müller, Vice-Chairman
Dr. Ivo Furrer
Bernhard Lampert
Dr. Michael Ritter

Executive Board
Mario Gassner, CEO
Dr. Alexander Imhof, Deputy of the CEO
Rolf Brüggemann
Robert Rastner

Central Services
Martin Schädler

Reception
Martin Schädler a.i.

IT/Projects Group
Roger Guntli

Infrastructure
Heinz Schädler

Finance/HR
Martin Schädler

Executive Office
Mario Gassner

Communication
Beat Krieger

Legal/International Affairs
Patrick Bont

Macroprudential Supervision
Dr. Christian Schmidt

Banking Division
Rolf Brüggemann

Supervision Section
Martin Risch

Legal Section
Heinz Konzett

Insurance and Pension Funds Division
Dr. Alexander Imhof

Auditing/Actuarial Section
Andreas Kuster

Legal Section
Martina Tschanz

Securities Division
Mario Gassner (a.i.)

Supervision Section
Markus Wagner

Legal Section
Anja Richter

Other Financial Intermediaries Division
Robert Rastner

Supervision Section
Roland Altmann

Legal Section
Patrik Galliard

Figure 19
Organizational chart

Governing bodies of the FMA as of 31 December 2011

Pursuant to article 6 of the FMA Act, the governing bodies of the FMA are

a) the Board of Directors,
b) the Executive Board,
c) the Audit Office.

Board of Directors

Chairman
Michael Lauber, Zurich, elected from 2010 to 2014

Vice-Chairman
Prof. Dr. Roland Müller, Staad, elected from 2010 to 2014

Members
Dr. Ivo Furrer, Winterthur, elected from 2011 to 2015
Bernhard Lampert, Schaan, elected from 2010 to 2014
Dr. Michael Ritter, Eschen, elected from 2010 to 2014

Executive Board

Chief Executive Officer and Head of Securities Division (a.i.)
Mario Gassner, Triesenberg

Deputy of the CEO and Head of Insurance and Pension Funds Division
Dr. Alexander Imhof, Schaan

Head of Banking Division
Rolf Brüggemann, Stäfa

Head of Other Financial Intermediaries Division
Robert Rastner, Lochau

Audit Office

Applying article 19(4) of the Financial Market Authority Act, the Government transferred the function of Audit Office to the National Audit Office by its decision of 2 March 2010 (RA 2010/463). The responsibilities of the Audit Office are generally governed by the specific provisions relating to the National Audit Office.

The National Audit Office performs this function until the Government decides otherwise.

Figure 20
Governing bodies of the FMA

Abbreviations

AACA	Auditors and Auditing Companies Act
AHV	Old Age and Survivors' Insurance Authority (Alters- und Hinterlassenenversicherung)
AIFM	Alternative Investment Fund Manager
AMA	Asset Management Act
AMC	Asset management company
BCBS	Basel Committee on Banking Supervision
CPMLTF	Committee on the Prevention of Money Laundering and Terrorist Financing
CRD	Capital Requirements Directive
DDA	Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act)
EBA	European Banking Authority
EBC	European Banking Committee
EC	European Community
ECB	European Central Bank
ECG	Enlarged Contact Group on the Supervision of Collective Investment Funds
ECOFIN	Economic and Financial Affairs Council
EEA	European Economic Area
EFTA	European Free Trade Association
EIOPA	European Insurance and Occupational Pensions Authority
EIOPC	European Insurance and Occupational Pensions Committee
ESA	EFTA Surveillance Authority
ESC	European Securities Committee
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FINMA	Swiss Financial Market Supervisory Authority
FIU	Financial Intelligence Unit
FMA Act	Financial Market Authority Act
FMA-CC	FMA Complaints Commission
IAIS	International Association of Insurance Supervisors
ICAAP	Internal Capital Adequacy Assessment Process
IMA	Insurance Mediation Act
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISA	Law on the Supervision of Insurance Undertakings (Insurance Supervision Act)
IU	Investment Undertaking
IUA	Investment Undertakings Act

MAA	Market Abuse Act
MC	Management Company
MiFID	Markets in Financial Instruments Directive
MMoU	Multilateral Memorandum of Understanding
Moneyval	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
OECD	Organisation for Economic Co-operation and Development
OFI	Other Financial Intermediaries
OPA	Occupational Pensions Act
PEA	Public Enterprise Act
PEP	Politically Exposed Person
PFA	Law on the Supervision of Institutions for Occupational Retirement Provision (Pension Funds Act)
PGR	Law on Persons and Companies
PLA	Patent Lawyers Act
PSA	Payment Services Act
PTA	Professional Trustees Act
QIS5	Fifth Quantitative Impact Study
SPA	Securities Prospectus Act
UCITS Act	Law on Certain Undertakings for Collective Investments in Transferable Securities
VuVL	Verein unabhängiger Vermögensverwalter in Liechtenstein (Association of Independent Asset Managers in Liechtenstein)

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Photo concept
Roland Korner/Close up, Triesen

With his black-and-white landscape pictures taken in the municipalities of Liechtenstein, photographer Roland Korner has created a strong contrast with the modern business location of Liechtenstein. The county has a highly developed national economy with a strong export industry, high-performance financial enterprises, and many small and medium enterprises.

The Annual Report is available in German and English on the FMA website. No printed version is published.