ANNUAL REPORT 2019

FMA

Financial Market Authority
Liechtenstein

THEMATIC PAGES

Cover photo
Cortinarius
in the Cortinariaceae family
It grows especially in coniferous forests, rarely in deciduous forests, on acid, sandy soil and in high moors, often in the company of blueberries.

The right balance

As an employer, the FMA believes it is of the utmost importance for women and men to find the right work-life balance. With its gender diversity strategy, the FMA also aims to increase the share of women in management positions. Nearly a quarter of all employees work part-time. The FMA also offers flexible working hours and the option of working from home.

Career + Family ✓

Reorganisation of anti-money laundering supervision

In April, the FMA reorganised its anti-money laundering regime and added more staff. The FMA performs risk-based monitoring of financial intermediaries to ensure their compliance with due diligence obligations. These strict international provisions serve to prevent and combat money laundering. Effective money laundering supervision is of the utmost importance for the credibility and reputation of the financial centre.

Reputation

Blockchain and co.

The Token and TT Service Provider Act (TVTG) entered into force on 1 January 2020. The TVTG entrusts the FMA with the registration and incident-based supervision of service providers who provide their services on systems such as blockchains. The TVTG creates legal certainty and strengthens customer protection. It also addresses the application of due diligence obligations to combat money laundering. The Regulatory Laboratory processed 181 FinTech enquiries in 2019.

181

Deposit guarantee scheme

On 1 June 2019, the Deposit Guarantee and Investor Compensation Act entered into force. It aims to protect depositors from the consequences of a bank's insolvency, with coverage up to CHF 100,000. All banks that accept deposits must be members of a protection scheme. The FMA is responsible for the recognition and ongoing monitoring of Deposit Guarantee and investor compensation schemes.

CHF 100,000

Hit the ground running with the FMA

Training@FMA

The FMA attaches great importance to the basic and continuing training of its employees. The FMA also has much to offer young women and men enrolled in commercial apprenticeships, the trainee programme, and internships for students and graduates. Carmen, Rebekka, and Martin talk about why they are working at the FMA and what they do here.

Risk-based

The FMA performs risk-based supervision of all financial intermediaries it supervises. The higher the risk profile of a financial intermediary, the more intensive the supervision. For example, Banking Supervision carries out its risk assessment by analysing 70 quantitative performance indicators of the bank. The qualitative criteria encompass over 700 individual questions. Custom IT applications make an important contribution to efficient and effective risk-based supervision.

70 + 700 = 770

Liechtenstein's financial sector is stable and in good shape. However, the challenges for financial market participants have not diminished, given the persistent low interest rate environment and growing economic and geopolitical risks. In-depth clarifications are required regarding private household debt. This is the brief conclusion that can be drawn from the FMA's second report on financial market stability in Liechtenstein, which it presented in November.

By ensuring financial market stability, the FMA has been entrusted with an important task for the country. The tools we use include both microprudential supervision, which concerns the stability of individual financial institutions, and macroprudential supervision, which works against the accumulation of systemic risks and strengthens the resilience of the financial system. This resilience was further bolstered during the reporting period with the creation of the Financial Stability Council, on which the Government and the FMA are represented. Along with its membership of the European Systemic Risk Board, Liechtenstein has a balanced system at its disposal for safeguarding financial stability.

The FMA has broken new ground in anti-money laundering and combating the financing of terrorism (AML/CFT). In April, we added personnel to our anti-money laundering supervision – which previously had been allocated to the various supervisory divisions – and consolidated it within a single, highly effective organisational unit. Effectively combating money laundering is of crucial importance for the reputation and credibility of the financial centre. The 5th EU Anti-Money Laundering Directive makes the applicable rules even more stringent.

We have made a tremendous effort in the implementation of our digital strategy. The supervised undertakings and the FMA increasingly interact via digital channels in an efficient and secure manner for both sides, and we now use sophisticated, specialised IT applications in our supervisory work. For example, the audit process for risk-based anti-money laundering supervision is IT-supported throughout and automated in part – from planning and execution to evaluation. For us, digitalisation is an instrument for making supervision more efficient and effective. In light of the complex and extensive financial market regulation, these investments are absolutely necessary and generate substantial added value.

With our forward-looking prudential supervision, our goal is to prevent violations of the law. If we nevertheless identify such violations, we take rigorous action and impose sanctions. As of the end of 2019, the FMA was conducting 44 administrative and administrative criminal proceedings. In February, the FMA ordered the enforced transfer of the insurance portfolios of two insurance undertakings to a third undertaking in order to protect clients. We were also heavily occupied by two large-scale cases in banking supervision.

Prof. Dr. Roland Mueller
Chairman of the Board of Directors

Mario Gassner
Chief Executive Officer

Tricholoma
in the Tricholomataceae family
Lives in coniferous forests, rarely also in deciduous forests, preferably on acid soil, and fructifies between August and October.

PROGRESS REPORT 2019

PROGRESS REPORT 2019

SUPERVISION

Stable financial centre – increasing risks on the financial markets

Strengthening the prevention of money laundering

Efficient and effective risk-based supervision

Financial technologies and new business models

Supervisory activities: *Macroprudential supervision*

Licences

Ongoing supervision

Due diligence supervision

International administrative assistance

Enforcement

RESOLUTION

Activities of the resolution authority

Outlook

Laws supervised and enforced by the FMA

The FMA has strengthened its defensive mechanisms for combating money laundering in terms of organisation and personnel. Effective mechanisms for combating money laundering and terrorist financing are of fundamental importance for the credibility and reputation of a financial centre. Macroprudential supervision was strengthened during the reporting year. It aims to counteract the accumulation of systemic risks and to strengthen the resilience of the financial system. With the progressive digitalisation of the financial sector, the FMA has been dealing increasingly with business models based on new financial technologies.

Stable financial centre – increasing risks on the financial markets

The condition of the Liechtenstein financial sector is stable overall. However, the global macroeconomic environment has cooled down further. Low growth, weak world trade, and increased political uncertainty are reinforcing each other. Against this backdrop, the Liechtenstein economy has also weakened noticeably since mid-2018.

The Liechtenstein economic cycle continues to be highly dependent on foreign demand. The establishment of trade barriers and the worldwide rise in protectionism are especially painful for small open economies such as Liechtenstein, given that local companies rely primarily on foreign demand and export a substantial portion of their products.

The challenges for financial intermediaries have further increased. In an environment characterised by high geopolitical and economic uncertainty, the expectation and realisation of loose monetary policy, weak nominal growth rates, and shifts from equity to bond markets, yields on both government bonds and highly rated corporate bonds continued to fall, although these trends weakened slightly towards the end of the year.

Nevertheless, risks continue to be significantly elevated due to the limited monetary leeway during the cyclical downturn and the increased risk of abrupt corrections on the financial markets. The low returns on safe investments also represent a substantial structural challenge for institutional investors in the bond market in Switzerland and the Eurozone. In this environment, insurers and pension funds are forced to increase the credit risks of their portfolios in order to achieve a certain level of profitability.

From a domestic perspective, the very high level of household debt is striking when compared with other countries (Figure 1). Although the Liechtenstein national economy as a whole has a comparatively low debt ratio, debt is heavily concentrated in the household sector. This requires ongoing monitoring of the associated systemic risks in the banking and real estate sectors. To address the corresponding systemic risks, Liechtenstein has introduced a macroprudential mix of measures in recent years to ensure sustainable lending.

Despite these steps, the continued increase in household debt in recent years – and the high proportion of loans representing an exception to policy in terms of their affordability – necessitates an in-depth analysis of the underlying drivers and causes of the associated risks. Based on this detailed analysis planned

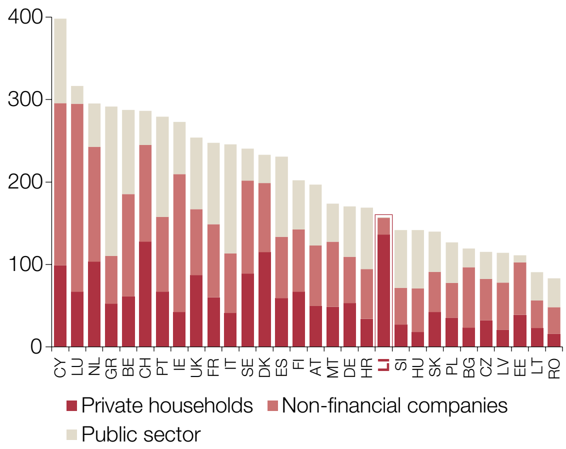


Figure 1
Sectoral debt in EEA countries
(% of GDP)
Source: FMA, Financial Stability Report 2019

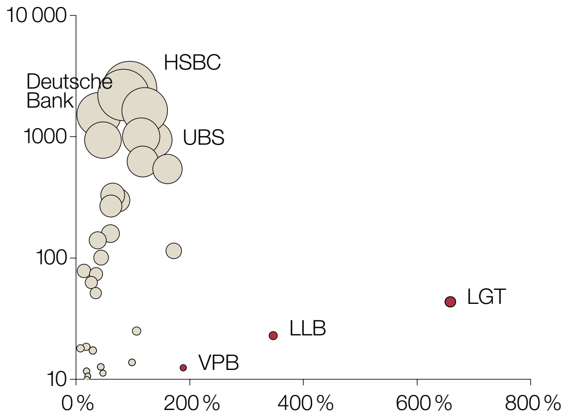


Figure 2
Bank size relative to GDP
(y-axis: Balance sheet total in CHF (log scale);
x-axis: Balance sheet total as % of GDP)
Source: FMA, Financial Stability Report 2019

for 2020, the FMA will consider introducing additional measures to counteract the risks in the mortgage market.

In the banking sector, securing risk-adequate capitalisation and continuously improving structural efficiency are crucial over the long run. The three identified systemically important institutions in Liechtenstein are not only very large relative to Liechtenstein's economy, but – in terms of GDP of the individual member states – they are even the three largest banks in the entire European Economic Area (Figure 2). Against this backdrop, efficient supervision at the institutional level and a strong focus on macroprudential supervision are both indispensable to ensure the stability of the banking sector and the entire national economy.

The capitalisation levels of the Liechtenstein banking sector have further improved. The aggregate common equity Tier 1 (CET1) ratio of the Liechtenstein banks rose from 18.8% at the end of 2018 to 20.0% at the end of 2019. In previous years, the volatility of the capitalisation levels was high compared with other countries, however. At the same time, an in-depth FMA analysis of the heterogeneity of risk weights in the EEA also showed that – in a horizontal country comparison – the application of the standardised approach for calculating the total risk amount tends to underestimate the capitalisation of the banking sector in Liechtenstein. Nevertheless, it is necessary to maintain an adequate management buffer significantly above the minimum regulatory requirements, not only to absorb unexpected shocks, but also from a reputation perspective, given that the banks' business models are dependent on their first-class reputation among investors and clients. Profitability indicators also point to potential for improvement in terms of the structural efficiency of the banks. On the other hand, the very low share of non-performing loans and the stable financing base of the Liechtenstein banks are important risk-mitigating factors.

While risks in the non-banking sector are considered to be limited, a strong focus on reputation risks is essential for the entire financial sector. The available indicators point to limited systemic risks in the insurance sector. In contrast to other countries, Liechtenstein insurance undertakings are hardly suffering from the low interest rate environment, given that guaranteed products are unusual in Liechtenstein and the majority of capital investments are unit-linked life insurance policies. The growth of the insurance sector continues to be driven by non-life insurance.

FINANCIAL STABILITY REPORT 2019

In November, the FMA presented the second issue of the Financial Stability Report. About 100 people attended the presentation in Vaduz.

Following the negative income in 2018, Liechtenstein pension schemes reported a significantly more successful year in 2019. At the same time, the challenges in this sector also continue to rise as it becomes increasingly difficult to achieve a positive return without significantly raising the risk profile. The fund sector is closely linked to the banking sector and has been characterised by dynamic growth rates in recent years. In the fiduciary sector, a revision of the Professional Trustees Act (TrHG) is currently planned, with a view to expanding the supervisory powers of the FMA. The goal is to strengthen client trust and international recognition, to rigorously combat abuses, and thereby to sustainably secure the reputation of the fiduciary sector. While combating money laundering and abuse does not fall within the original remit of macroprudential supervision, this aspect is nevertheless a significant factor from the perspective of financial stability, since a loss of trust or reputation due to the prevailing business models in Liechtenstein can have far-reaching systemic consequences.

Strengthening the prevention of money laundering

Effective AML/CFT measures are of fundamental importance to the credibility and reputation of a financial centre. Violations of the rules governing the fight against money laundering and terrorist financing attract a great deal of media attention and are accompanied by a loss of trust among clients, business partners, and in international relations that is difficult to repair.

In April, the FMA strengthened its defensive mechanisms for combating money laundering. The tightened AML rules and the international focus on combating money laundering prompted the FMA to review and subsequently reorganise its supervisory arrangements. The AML powers previously assigned to the four supervisory divisions have now been concentrated within the new Anti-Money Laundering and Designated Non-Financial Businesses and Professions (AML/DNFBP) Division. Increased personnel was assigned to the division, which is now responsible for anti-money laundering supervision in all financial sectors.

The effectiveness and efficiency of the FMA's AML supervision has been enhanced by centralising enforcement and supervision of all sectors in a dedicated unit, developing a uniform enforcement and supervisory policy, and strengthening personnel. The FMA increasingly conducts independent on-site inspections and focuses on accurate identification of beneficial owners and risk-appropriate transaction monitoring. The Risk Assessment System (RAS) already introduced in 2018 under the 4th EU Anti-Money Laundering Directive proved its value during the reporting year.

In 2019, the FMA participated in conducting the second, holistic National Risk Analysis (NRA). A first NRA had already been carried out in 2018 with the aim of evaluating the products and services typically offered by Liechtenstein persons subject to due diligence with respect to their exposure to risks related to money laundering and terrorist financing. The first NRA was based on data for the years 2013 to 2015 and took account of changes that have been instituted since then. For that reason, an update of the NRA was carried out in 2019 under the guidance of the Financial Intelligence Unit (FIU). The report will be published in early 2020. The document serves as a tool for public authorities to identify risks, and it supports the development of adequate risk-based measures to ensure that identified risks do not have a negative impact on the financial centre and its market participants.

At its annual media conference in April, the FMA once again emphasised the importance of an effective defensive mechanism. The effectiveness of Liechtenstein's mechanism for combating money laundering and terrorist financing is expected to be reviewed in 2021 in a country assessment by MONEYVAL.

Efficient and effective risk-based supervision

The FMA's understanding of supervision is based on the principle of early detection and early intervention. Supervision must identify risks at an early stage through ongoing monitoring of market developments and individual financial intermediaries.

This supervision is risk-based. The FMA understands this to mean an intensity of supervision and allocation of resources corresponding to the risk profile of the financial intermediary. Risk-based supervision requires consistent and ongoing risk assessment of each supervised financial intermediary. This serves as the basis for the audit of the intermediary. Pursuant to the evaluation and the results of the audit, the FMA orders any necessary measures in relation to the intermediary.

With the numerous new and tightened regulations in the individual sectors of the financial market as a result of the financial crisis, the risk-based approach was also strengthened and defined in greater detail at the legislative level. Pursuant to its membership in the European Economic Area (EEA), the same statutory requirements apply in Liechtenstein as in the EU countries. The FMA's risk-based supervision is accordingly guided by the European requirements.

Implementation of the 4th EU Anti-Money Laundering Directive has significantly strengthened risk-based supervision in the fight against money laundering. A Risk Assessment System (RAS) has been established for this purpose. Risk classification is based on the information and data of the persons subject to due diligence and the results of the audits

Figure 3
Basic process of prudential supervision and due diligence supervision

with any findings. The risk profile is determined essentially by the business model and the intermediary's risk management arrangements.

In the supervision of banks, risks are assessed using the Supervisory Review and Evaluation Process (SREP). The SREP encompasses analysis of the institution's business model, assessment of internal governance and institution-wide controls, as well as evaluation of capital, liquidity, and financing risks. Using the SREP, the FMA assesses the risks to which the individual institutions are exposed. The SREP incorporates 70 key performance indicators (KPIs) as quantitative criteria, such as the CET1 ratio. The qualitative criteria cover more than 700 individual questions in the aforementioned areas. Information sources include supervisory reporting, audit reports, risk dialogues, and specific questionnaires.

The FMA uses the Impact & Risk Assessment System (IRAS) for the supervision of insurance undertakings under Solvency II, taking into account the EIOPA guidelines on the supervisory review process. On the basis of the extensive data, the supervisory system serves to determine and document the most important risk indicators and to derive a classification of insurance undertakings into different risk classes. Given the characteristics of the risk indicators, the priorities of supervision can be directly derived for each undertaking. The IRAS is incorporated into ongoing supervisory activities, and each new finding leads to a review of the risk indicators and thus to an immediate adjustment and updating of the risk assessment of the undertaking. In the reporting year, the IRAS was also applied with respect to pensions.

Supervision of asset management companies and fund management companies is also risk-based. The FMA has a specific Risk Assessment System (RAS) at its disposal for these two categories of intermediaries. Risk classification is based on the dimensions of the extent of the loss and the probability of occurrence. The higher the risk classification, the more intensive is the supervision of the intermediary. Risk analysis covers the dimensions of control mechanisms, finances, due diligence, governance, operational risk, and rules of conduct.

Risk-based supervision involves complex processes and large amounts of data. Effective and efficient risk-based supervision therefore requires the use of modern information technology to support the processes. As part of the FMA's digital strategy, the processes in risk-based supervision are digitised using specialised IT applications.

Financial technologies and new business models

The transformation in the financial sector continues: While classical financial service providers are transforming their business, more and more tech companies are advancing into the financial sector with digital products. The number of enquiries in the FinTech sector dealt with by the Regulatory Laboratory in 2019 was 181, the first time the number of enquiries had decreased from the previous year (255). Most of the enquiries concerned business models relating to trading platforms for cryptocurrencies, initial coin offerings (ICOs), and security token offerings (STOs), i.e. issuing of tokens or tokenised securities using a blockchain.

In August 2018, the FMA was the first European supervisory authority to approve a securities prospectus for the issue of a tokenised security. In the reporting year, five additional tokenised securities requiring a prospectus were approved. Also for the first time, the FMA approved the issue of tokenised fund units by a Liechtenstein fund.

Increasingly, a convergence can be observed in the scope of activity of FinTechs and classical financial service providers. On the one hand, more and more FinTechs are seeking licences under financial market law. In November, the first electronic money institution with a nexus to cryptocurrencies was approved in Liechtenstein. Further license applications in this field were being reviewed as of the end of 2019. On the other hand, the classical financial service providers are increasingly engaged in digitalisation of their business models.

NATIONAL ECONOMIC MONITOR

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

It has also been observed in this context that outsourcing is becoming an important topic in the market. Financial institutions are increasingly outsourcing parts of their processes such as payment processing, analysis processes, or data storage to external partners offering digitised services. The European supervisory authorities have responded to this development. The European Banking Authority, for example, has published guidelines on dealing with outsourcing, creating a uniform framework for outsourcing by financial institutions. These guidelines replace the previous recommendations on outsourcing to cloud providers and other guidelines.

The Regulatory Laboratory/Financial Innovation Group was created in 2018. In addition to handling enquiries, registration and incident-based supervision under the Token and TT Service Provider Act (TVTG), and the internal transfer of know-how, its responsibilities include monitoring. Where there are indications of abuse, market participants who do not have a special licence are monitored. The aim is to prevent abusive and fraudulent activities. Four warnings to this effect were published in the reporting year.

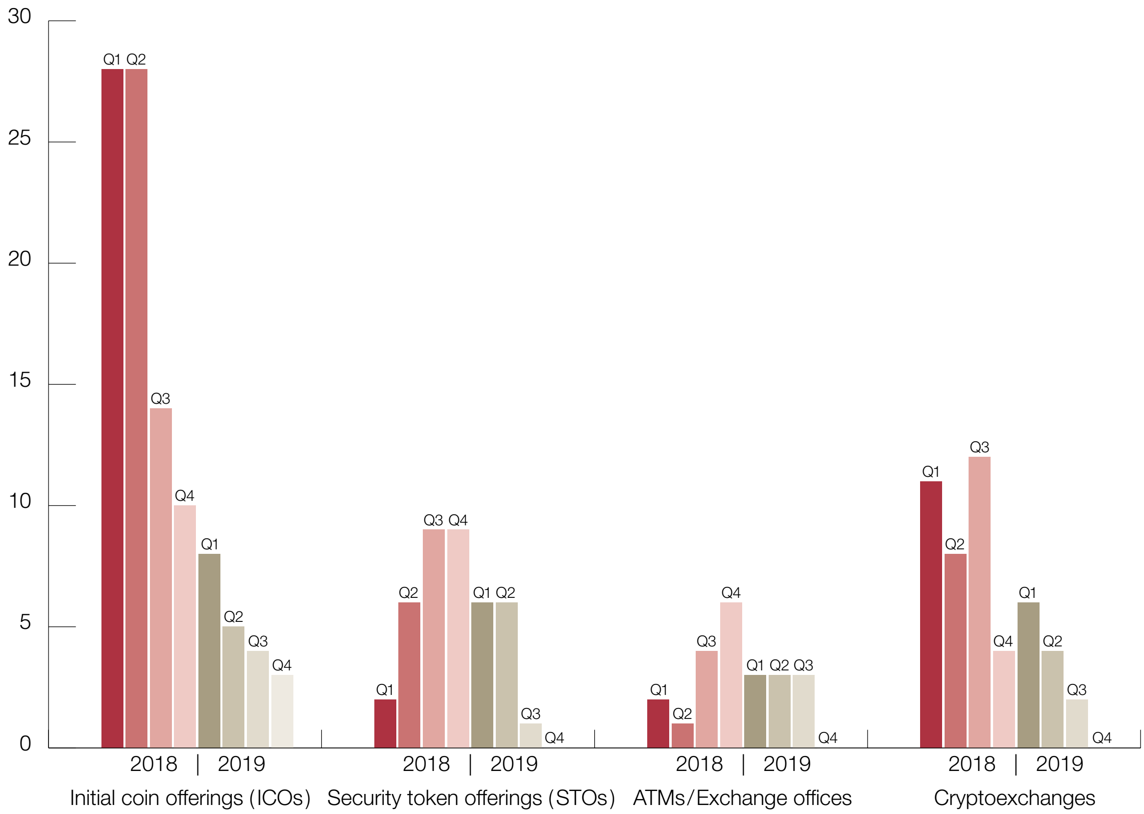


Figure 4
Development of FinTech business models

Financial technologies represent an opportunity for Liechtenstein. The FMA's approach is to apply and design regulation in such a way that established financial service providers and new companies can realise their business models. As a supervisory authority, however, the FMA is concerned not only with the opportunities, but also with the risks of technology-based business models, and it ensures that client protection, trust in the financial market, and the stability of the financial system are guaranteed.

Competition for FinTech companies continues to be observed in Europe. Liechtenstein has a strong position thanks to uncomplicated and fast access to the regulator as well as a high level of FinTech competence on the part of the authorities. Practice has shown that FinTech companies often have a very regulation-friendly attitude. Licensing by the FMA is perceived as a mark of quality.

NEW RESPONSIBILITIES FOR THE FMA

Revised or new financial market laws generally extend the FMA's range of responsibilities. The necessary supervisory processes are developed in parallel with the legislative process in order to ensure that the new responsibilities can be met as soon as the law enters into force. For financial intermediaries, the FMA develops regulations including instructions, communications, and guidelines. The following financial market legislation entered into force during the reporting period:

- *Revised Pension Funds Act (13 January 2019): adjustments to supervisory processes;*
- *Deposit Guarantee and Investor Compensation Act (EAG) (1 June 2019): the FMA is responsible for the recognition and ongoing monitoring of deposit guarantee and investor compensation schemes;*
- *EEA Securities Prospectus Implementation Act (EWR-WPPDG) (21 July 2019): reform of securities prospectus law with a focus on investor protection;*
- *EEA Benchmarks Implementation Act (EWR-RWDG) (18 December 2019): the FMA is responsible for the authorisation/registration of administrators, recognition of third-country administrators, and approval of the adoption of benchmarks;*
- *Comprehensively revised Payment Services Act (1 October 2019): more detailed specification of the licensing process, adjustment of the supervisory processes, new licence holders;*
- *Token and TT Service Provider Act (TVTG) (1 January 2020): the FMA is responsible for the registration and incident-based supervision of service providers that provide their services on TT systems (e.g. blockchain);*
- *Revised Alternative Investment Fund Managers Act (AIFMG) (1 February 2020): adjustments to the supervisory process.*

Macroprudential supervision

Given that Liechtenstein does not have its own central bank, ensuring financial market stability is defined by law as the responsibility of the FMA. An important insight from the global financial crisis is the need to complement microprudential supervision, which aims to ensure the stability of individual financial institutions, with a macroprudential perspective. Macroprudential supervision aims to counteract the accumulation of systemic risks and to strengthen the resilience of the financial system. The aim is to reduce the probability and impact of financial crises, given that such crises have led to high costs in the past – also for the real economy. Since Liechtenstein does not have its own central bank and hence does not control its own monetary policy, and since fiscal policy in Liechtenstein hardly has any countercyclical effect due to the very small multiplier, macroprudential policy plays a particularly important role in controlling the financial cycle. Moreover, the financial sector in Liechtenstein is of disproportionate national economic importance, given the financial sector's very high share of gross domestic product compared with other countries.

Against this backdrop, the institutional framework for macroprudential supervision and policy was further strengthened last year with a revision of the

Financial Market Authority Act (FMAG). With the legislative amendments that entered into force at the beginning of May, the Financial Stability Council (FSC) was established, which will serve as the central body for macroprudential supervision in Liechtenstein. The legislative changes were made pursuant to a recommendation of the European Systemic Risk Board (ESRB). The creation of the FSC is intended to strengthen financial market stability and reduce systemic and procyclical risks. The FSC is composed of two representatives each from the Ministry of General Government Affairs and Finance and the FMA, and it meets at least four times a year.

Several macroprudential measures were already adopted at the first two meetings of the FSC. At the first meeting, the macroprudential strategy was discussed and adopted. This strategy is based on the recommendations of the ESRB concerning the interim goals and instruments of macroprudential measures, thus ensuring that the most important points of reference and the framework for action are established for the fulfilment of the responsibilities of macroprudential supervision in Liechtenstein.

The FSC also discussed the revision of the capital buffer rules and, in this context, published a recommendation to the FMA on the adjustment of the capital buffer for other systemically important institutions (O-SIIs) and one recommendation to the Government on adjustment of the systemic risk buffer. With the Government resolution of 26 November 2019 on revision of the Banking Ordinance (BankV), the recommendation to adjust the systemic risk buffer has already been implemented and the amount of the systemic risk buffer has been determined for the identified banks. The FMA has also already implemented the FSC recommendation and adjusted the amount of the O-SII buffer for the three identified O-SIIs accordingly.

In addition, the FSC recommended that the Government should set the countercyclical capital buffer – an instrument to curb excessive credit growth – at 0% of risk-weighted assets, given that there is currently no evidence of excessive credit growth in Liechtenstein. In times of excessive credit growth, the buffer is intended for the financial institutions to build up an additional capital reserve to cushion losses should a crisis occur. The FSC monitors the development of cyclical risks in the financial sector based on a regular analysis by the FMA and fixes the amount of the countercyclical capital buffer on a quarterly basis.

In addition, quarterly reports on international economic and financial market developments are published. These reports pointed out various systemic risks, including the high valuations on the equity markets as well as the impact of the persistently low interest rate environment and the global economic downturn on financial intermediaries in Liechtenstein. Macroprudential Supervision was also involved in the management meetings with the systemically important banks.

Licences

The provision of financial services requires a licence from the FMA. The licensing requirement creates barriers to entering the market. These barriers serve to ensure the high quality of market participants and the legitimacy of the business in the interests of client protection. The licence is therefore a mark of quality and a preventive control instrument of financial market supervision. The FMA issues licences, reviews and approves changes, monitors ongoing compliance with the licensing conditions and, if necessary, withdraws licences.

The ongoing digitalisation of the financial sector has a strong impact on the FMA's licensing activities. Licensing enquiries are moving away from traditional business models in the direction of business models based on new financial technologies. Consequently, there was particular interest in electronic money institutions and multilateral trading facilities (MTFs). Several licence applications were being processed as of the end of 2019.

A licence is a mark of quality and a preventive control instrument.

In the fund sector, the trend of new authorisations away from undertakings for collective investment in transferable securities (UCITS) toward alternative investment funds continued. This reflects the fund centre's expertise in setting up sophisticated structuring solutions and in alternative investments.

New financial technologies also have applications in the fund sector. One current development is the issuance of fund units in the form of tokens, whether by an AIF, UCITS, or investment undertaking. In the reporting year and after intensive reviews, the FMA for the first time approved a subfund that issues its units as tokens. In Communication 2019/1, the FMA issued rules concerning the tokenisation of fund units. Tokenisation encompasses the digitised representation of an asset, including the rights and obligations contained in that asset.

Since entry into force of the new Insurance Distribution Act (VersVertG) on 1 October 2018, applicants have had access to an online tool for the digital submission of licence applications. In the reporting year, the FMA granted licenses to two insurance intermediaries. To increase efficiency, the FMA's digital strategy also aims to digitise licensing processes.

With respect to licensing for casinos, the FMA is responsible for reviewing the due diligence concept of casino operators. In the reporting year, the FMA reviewed two new and two existing concepts. Due diligence supervision of casinos by the FMA serves to prevent and combat money laundering.

The FMA reviewed 181 enquiries regarding FinTech business models (previous year: 255). Part of the review concerns whether the intended activity or business model requires a licence from the FMA.

Chanterelle in the Cantharellaceae family
The yellowfoot chanterelle is a mycorrhiza partner of various coniferous trees, especially spruce and fir, occasionally also of deciduous trees. It grows on moderately to distinctly moist soils.

The FMA is responsible for reviewing and approving prospectuses and supplements for the public offer of securities or their authorisation for trading on a regulated market. The FMA reviews the securities prospectuses for completeness, coherence, and comprehensibility. Securities prospectuses aim to eliminate information asymmetries between investors and issuers. The number of approved prospectuses amounted to 32 (previous year: 21). The increase was driven by the legislative change entering into effect on 21 July. 24 prospectuses were approved before that date, and eight under the new legal regime. Ten prospectuses were attributable to a single domestic issuer. The FMA approved four prospectuses for the issuance of securities in digitised form, i.e. security token offerings. The approvals were preceded by a review and consideration of relevant legal issues. The core responsibility here is to ascertain whether the specific tokens are to be deemed securities, since this opens up the scope of application of securities law and enables a prospectus approval to be carried out.

For the purposes of client protection and transparency, the FMA states on its website that the FMA only examines whether the prospectus contains the minimum information required by law and whether the content of the prospectus is comprehensible and coherent. It explicitly does not verify the accuracy of the content of the prospectus. In principle, the issuer is liable for the accuracy of the information provided in a securities prospectus. The FMA accordingly does not verify the trustworthiness of the issuer or the viability of the business model.

Financial market participants and products supervised by the FMA	2018	2019	Licences issued in 2019	Market exits in 2019
Banking Division				
Banks	14	14	0	0
Investment firms	1	0	0	1
Payment institutions	0	0	0	0
Liechtenstein Postal Service	1	1	–	–
External auditors	5	5	0	0
Electronic money institutions	4	5	1	0
Securities and Markets Division				
Asset management companies	109	106	3	6
IUG				
Active management companies (MCs)	5	3	0	2
Domestic investment funds	35	27	0	8
External auditors	6	8	3	1
UCITSG				
Active management companies (MCs)	12	12	0	0
UCITS	223	224	15	14
Audit firms	11	11	1	1
AIFMG				
Large AIFMs	14	15	1	0
Small AIFMs	0	0	0	0
Administrators	0	0	0	0
Risk managers	1	1	0	0
Selling agents	2	1	0	1
AIFs	231	265	63	29
Audit firms	10	10	1	1

Table 1a
Financial market participants and products supervised by the FMA

Financial market participants and products supervised by the FMA	2018	2019	Licences issued in 2019	Market exits in 2019
Insurance and Pension Funds Division				
Insurance undertakings	38	37	1	2
External auditors under the VersAG	10	10	0	0
Insurance intermediaries	57	54	2	5
Pension schemes	18	17	0	1
External auditors under the BPVG	14	13	0	1
Pension insurance experts under the BPVG	18	17	0	1
Pension funds	4	4	0	0
Anti-Money Laundering and DNFBP Division				
Professional trustees	152	151	5	6
Trust companies	243	245	11	9
Auditors	43	43	3	3
Auditors established in Liechtenstein	4	5	1	0
Audit firms	28	28	1	1
Patent lawyers	6	5	0	1
Patent law firms	3	3	0	0
Persons with a licence under the 180a Act	211	216	17	12
Casinos	2	4	–*	–*

Table 1b
Financial market participants and products supervised by the FMA

* licensed by the Office of Economic Affairs

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

Table 2
Financial market participants supervised by the FMA under the free movement of services

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

Category	Number of changes	Main changes
Banks	74	– Changes to general management – Changes to board of directors – Changes to articles of association – Changes to business regulations – Change of audit firm – Changes to qualifying holdings – Change of name
Investment firms	3	– Changes to general management – Changes to board of directors
Electronic money institutions	6	– Changes to general management – Changes to board of directors – Changes to articles of association – Changes to business regulations
External auditors under the Banking Act/ Electronic Money Act/Payment Services Act	2	– Senior external auditors
Asset management companies	77	– Changes to general management – Changes to board of directors – Changes to articles of association – Change of audit firm – Changes to qualifying holdings – Change of name – Changes to delegations
Active management companies authorised under the IUG, UCITSG, AIFMG	24	– Change of general manager – Changes to board of directors – Changes to document templates – Change of audit firm – Changes to delegations
IUs for a community of interests	1	– Structural measures
IUs for single investors	1	– Reduction of deadline
UCITS	93	– New unit classes – New subfunds – Change of name – Change of asset manager – Change of audit firm – Changes to investment policy – Mergers
AIFs	148	– Change of audit – Mergers – New subfunds – New unit classes – Change of name – Changes to delegations – Changes to investment policy
Insurance undertakings	106	– Changes to general management – Changes to board of directors – Outsourcing of functions – Changes to key functions – Changes to qualifying holdings
Trust companies	53	– Change of business name – Changes to general management – Changes to board of directors – Changes to liability insurance – Qualifying holdings – Person actually managing the company
Persons with a licence under the 180a Act	9	– Conversion to dormant status – Conversion to active status
Audit firms	2	– Change of general manager – Change of business name

Table 3
Changes to licences

Ongoing supervision

The goal of ongoing supervision of the individual supervised financial intermediaries is to ensure permanent compliance with the licensing conditions, especially the financial resources of market participants.

As part of ongoing supervision, an initial assessment was made of risk identification arrangements, protective measures, and crisis management capabilities with regard to cyber risks and operational IT risks. The FMA published a Fact Sheet 2019/1 – Cyber Security Guidance for this purpose. The FMA found that the financial intermediaries assess cyber risks as a serious risk and have implemented appropriate measures.

Undertakings providing investment services to clients have had to comply with the MiFID II and MiFIR requirements since January 2018. The FMA audits compliance with the comprehensive regulatory framework in a multi-year cycle. In 2019, the core areas of investor information and client reporting, investment advice, suitability and appropriateness, inducements, record-keeping obligations, and transaction reporting under Article 26 MiFIR were audited in detail.

In the insurance sector, the audit of key functions and outsourcing in connection with governance as well as reporting were supervisory priorities. The audit of reporting focused on administrative costs and their modelling in the context of solvency capital calculations. For a small number of insurance undertakings, adjustments were required to ensure that the modelling complied with supervisory requirements.

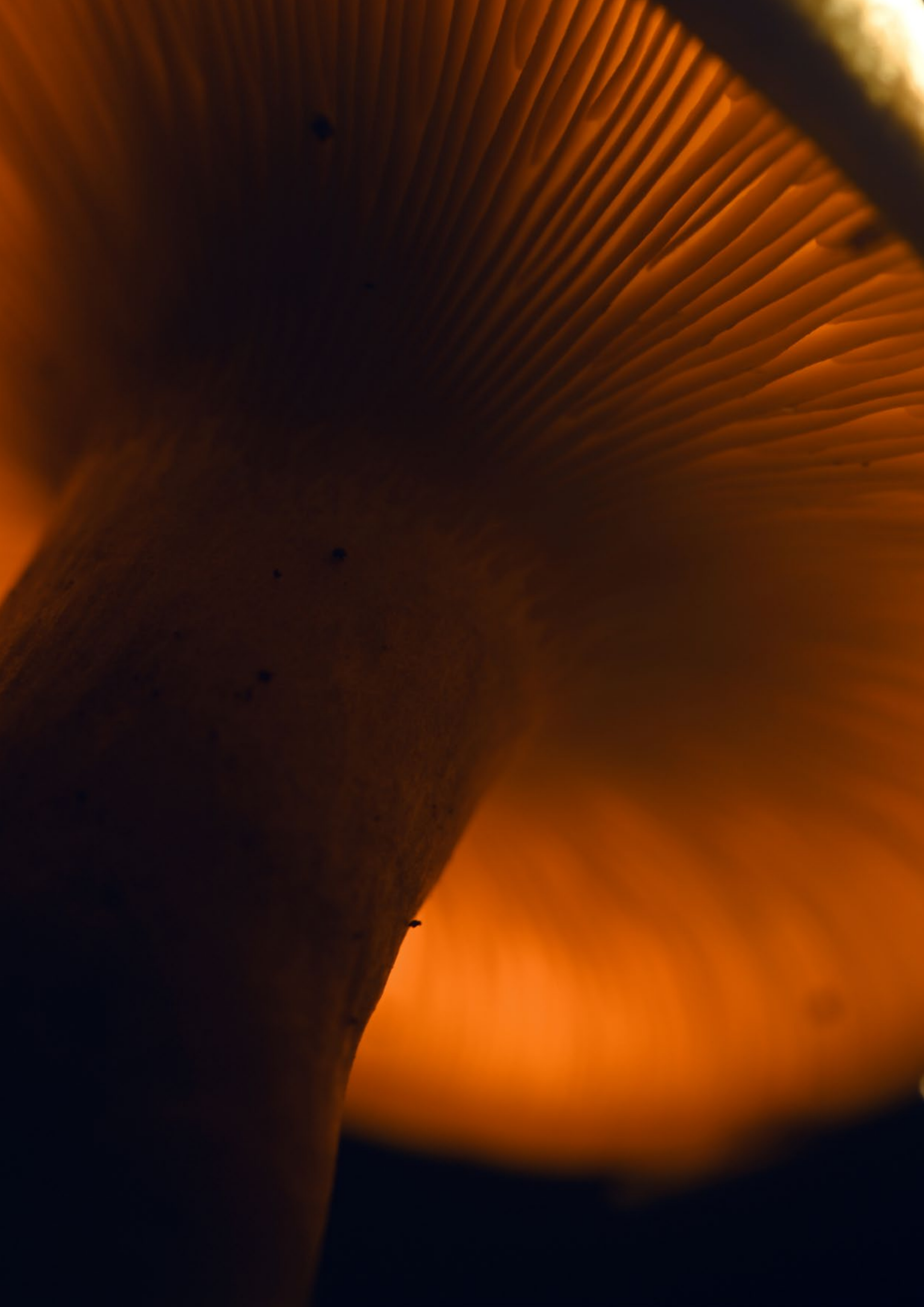
The new Insurance Distribution Act (VersVertG) entered into force on 1 October 2018, implementing the EU Insurance Distribution Directive (IDD) into Liechtenstein national law. The revision comprehensively increased the requirements with respect to rules of conduct, transparency, and expertise for insurance mediation and insurance advice, and accordingly also the requirements for FMA supervision.

An Impact & Risk Assessment System (IRAS) was developed for the risk assessment of occupational pension schemes and was used for the first time in the reporting year. The IRAS serves to document the identified risk factors in the areas of governance, capital investments, risk capacity/financial situation, and significance for Liechtenstein, and to derive a classification of the institutions into different risk classes. This classification forms the basis for risk-based supervision planning and resource allocation.

The revised Pension Funds Act (PFG) entered into force on 13 January 2019. This led to adjustments of the supervisory processes. A new reporting system was introduced, and compliance with governance provisions under the revised PFG was verified. Some pension funds were required to make improvements with respect to governance.

After all former investment undertakings had been converted into alternative investment funds (AIFs) as of 31 March 2018, the FMA examined whether the increased risk management requirements complied with the regulatory requirements and whether all risks were adequately covered. In the fund sector, the focus of the supervision of management companies and AIFMs was therefore on risk management. The audits showed that the risk management processes

Cortinarius
in the Cortinariaceae family
It grows especially in coniferous forests, rarely in deciduous forests, on acid, sandy soil and in high moors, often in the company of blueberries.



are at a good level in most cases. In one case, deficits were identified in the implementation and use of the available risk management systems.

In the fiduciary sector, the FMA reviewed the persons actually managing the companies. The Professional Trustees Act requires that a person "actually engages in the management" of the trust company who – on the basis of their trustworthiness, education, and professional experience – is sufficiently qualified to provide a guarantee of proper business operation. Unlike the previous year, no additional violations were identified during the reporting period. The FMA's rigorous measures in 2018 had a preventive effect.

On-site inspections/inspections

An on-site inspection is an audit activity within the framework of ongoing supervision and enforcement by the FMA on the premises of the financial intermediary. On-site inspections are used to check compliance with supervisory requirements and to identify violations. In the reporting year, the FMA carried out 22 on-site inspections. The main reasons for the inspections were operational risks, suspicion of violations of due diligence obligations, governance, risk management, litigation, cross-border business, and the compliance function.

Auditing

As part of its auditing activities, the FMA evaluates the audit reports submitted by the auditors. On behalf of the FMA, auditors perform a risk-based audit of compliance with the regulatory requirements by the financial intermediaries. Where deficiencies arise, the FMA takes the necessary measures or sanctions the financial intermediary in accordance with the legal requirements.

The audits are based on the FMA's Audit Guideline. The Audit Guideline governs the audit standards to be observed in the audits and reports of the external auditors authorised under special legislation, and it serves to ensure the high quality and uniform administration of audits. The uniform and detailed requirements governing audits make a significant contribution to the convergence of supervisory practice and implementation of risk-based supervision.

On-site inspections, auditing, and reporting: effective instruments of ongoing supervision.

Category	Audit reports	Deficiencies	Deficiencies mainly in the following areas
Banks	15	68	– Organisational requirements/governance – Reporting – Compliance with MiFID II provisions – Credit risk – SPG
Electronic money institutions	3	2	– Organisational requirements – Internal audit – Compliance with own funds requirements
Asset management companies	106	56	– Organisational requirements – Compliance with own funds requirements – Record-keeping and retention requirements
(Fund) management companies	19	13	– Organisational requirements – Record-keeping and retention requirements – Rules of conduct
Funds	516	65	– Active violation of investment guidelines – Passive violation of investment guidelines – Reporting requirements – NAV calculation/accounting
Insurance undertakings	37	62	– Organisational requirements, especially pursuant to Solvency II – Reconciliation of PGR balance sheet with Solvency II balance sheet – Going concern
Insurance intermediaries	57	0	
Pension schemes	18	4	– Funding ratio – Organisation
Pension funds	4	0	

Table 4
Review of audit reports

Reporting

Under special legislation, financial intermediaries are required to provide the FMA with the data necessary to evaluate the company and its risks. On the basis of the reports, the FMA verifies compliance with regulatory requirements and follows the business development of the supervised financial intermediaries in a timely manner.

Category	Reports
Banks	1029
Electronic money institutions	52
Asset management companies	530
Management companies	129
Funds	3025
Insurance undertakings	370
Insurance intermediaries	57
Pension schemes	56
Pension funds	13
TOTAL	**5261**

Table 5
Reporting

Management meetings

FMA representatives hold regular management meetings with members of the general management and board of directors of supervised entities. The main topics in the reporting year were business strategy, business development, governance, code of conduct, and regulatory developments. Insights from the introduction of risk-based due diligence supervision were also discussed. 36 management meetings were held during the reporting year.

Occupational pensions: Applications for cash payouts/Verification of association

The FMA is responsible for processing cash payout applications. In addition to the possibility of applying directly to the pension scheme for a cash payout of any vested pension benefits, cash payout applications for credit balances already deposited on a blocked vested benefits account can be filed with the FMA. In the reporting year, the FMA approved 184 applications and denied 53. The main reasons for positive cash payout decisions were permanent departure from the Liechtenstein/Switzerland economic area and the assumption of self-employed work by the applicant.

The FMA is also responsible for verifying employers' association with a pension scheme and compliance with their obligation to pay contributions for employees insured in Liechtenstein. In the reporting year, the Old Age and Survivors' Insurance Authority (AHV) and the pension schemes reported 182 cases in which the employers had failed to join a pension scheme or to contribute in full.

Dryad's saddle in the Polyporaceae family
Most species are saprobionts on deadwood; some species can also parasitise living trees and other woody plants.

Efficient and effective supervision with digital technology

Financial intermediaries are periodically checked for compliance with their AML/CFT due diligence obligations. The FMA conducts these risk-based inspections itself or mandates auditors for that purpose.

The FMA provides the auditors with audit specifications. The higher the classification of a financial intermediary with respect to possible vulnerabilities and threats, the more detailed and extensive the FMA's audit specifications are. One criterion for the risk profile, for example, is the group of clients of the financial intermediary.

The entire audit process, from planning the audit to evaluating the results, is supported by IT using specialist applications. The results of the audit flow back into the next audit process. Interfaces ensure automated data transfer between the applications.

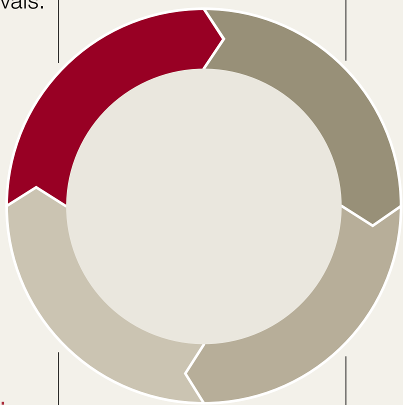
IT-supported, risk-based audit process for due diligence audits by external auditors

Planning

The audit frequency depends on factors such as the category of financial intermediary (bank, insurer, professional trustee, etc.) and its risk profile. Intermediaries with high risks or anomalies in past audits are audited at shorter intervals.

Audit mandate

The FMA assigns the audit mandate, which is based on the risk assessment conducted for each financial intermediary. The audit mandate contains all specifications for the audit by the designated external auditor.



Evaluation

The audit results are evaluated by the FMA on the basis of the legal provisions. The results are included in the risk assessment. Where violations of the Due Diligence Act occur, the enforcement process is initiated.

Audit results

The auditor carries out the audit and records the results online using the FMA's e-Service platform.

Enforcement

Where violations of due diligence obligations occur, the FMA orders the measures necessary to restore a lawful state of affairs, imposes sanctions in the form of appealable decrees, and monitors their implementation and execution.

Due diligence supervision

Following the centralisation of due diligence supervision effective 1 April 2019, the AML/DNFBP Division carried out its own uniformly documented on-site inspections across all financial sectors. The audited persons subject to due diligence were determined using the risk-based approach in accordance with defined selection criteria. In preparation for the audit, questions were sent to the audited entities in advance with a request to submit certain information and documents. Particular attention was paid to the correct identification of the beneficial owners of assets and risk-appropriate transaction monitoring.

In addition to the FMA's own on-site inspections, risk-based audit mandates were sent to the auditors for the first time. These were individually prepared using tools developed for that purpose and are based on the risk classification of the person to be audited. The results of the inspections were then also submitted for the first time using the web-based e-Service. A tool was developed for this purpose, allowing the results of the inspections to factor into the risk classification of the financial intermediaries. The FMA evaluates the inspection reports as part of off-site supervision. Both the results of the FMA's own inspections and those of the mandated inspections are incorporated into the FMA's risk assessment of the individual institutions.

In the reporting period, the FMA carried out regular on-site inspections at two banks with a risk-based focus on organisational matters. Additionally, 26 random samples were drawn and reviewed. Deficiencies were identified in connection with implementation of risk-adequate transaction monitoring and the risk assessment used, as well as in some cases with respect to the information and documentation available on the origin of assets. Two extraordinary on-site inspections were also carried out in connection with negative media reports, and a suspicious activity report was submitted to the Financial Intelligence Unit (FIU).

In addition to its own on-site inspections, the FMA mandated audit firms to carry out AML/CFT-specific on-site inspections at all 14 banks. The audit mandates are based on the risk profile of each institution. The problematic areas identified relate in particular to the level of detail and the informative value of the business profiles. In addition to the on-site inspections, the FMA conducted four management meetings at banks during the reporting period.

At two life insurance companies, the FMA carried out regular on-site inspections with a risk-based focus. Additionally, 20 random samples were drawn and reviewed. Deficiencies were identified with respect to the information and documentation available on the origin of assets as well as insufficient updating of the business profiles.

In addition to its own on-site inspections, the FMA mandated audit firms to carry out AML/CFT-specific on-site inspections at 18 life insurance companies, based on the risk profile of each institution. Deficits were identified, in particular, in the risk assessment of the clients and in the business profiles (origin of overall assets as well as the assets contributed).

At five life insurance brokers, the FMA mandated audit firms to carry out AML/CFT-specific on-site inspections. In one inspection, misconduct was found in connection with delegation, and in another, significant organisational and material violations were found.

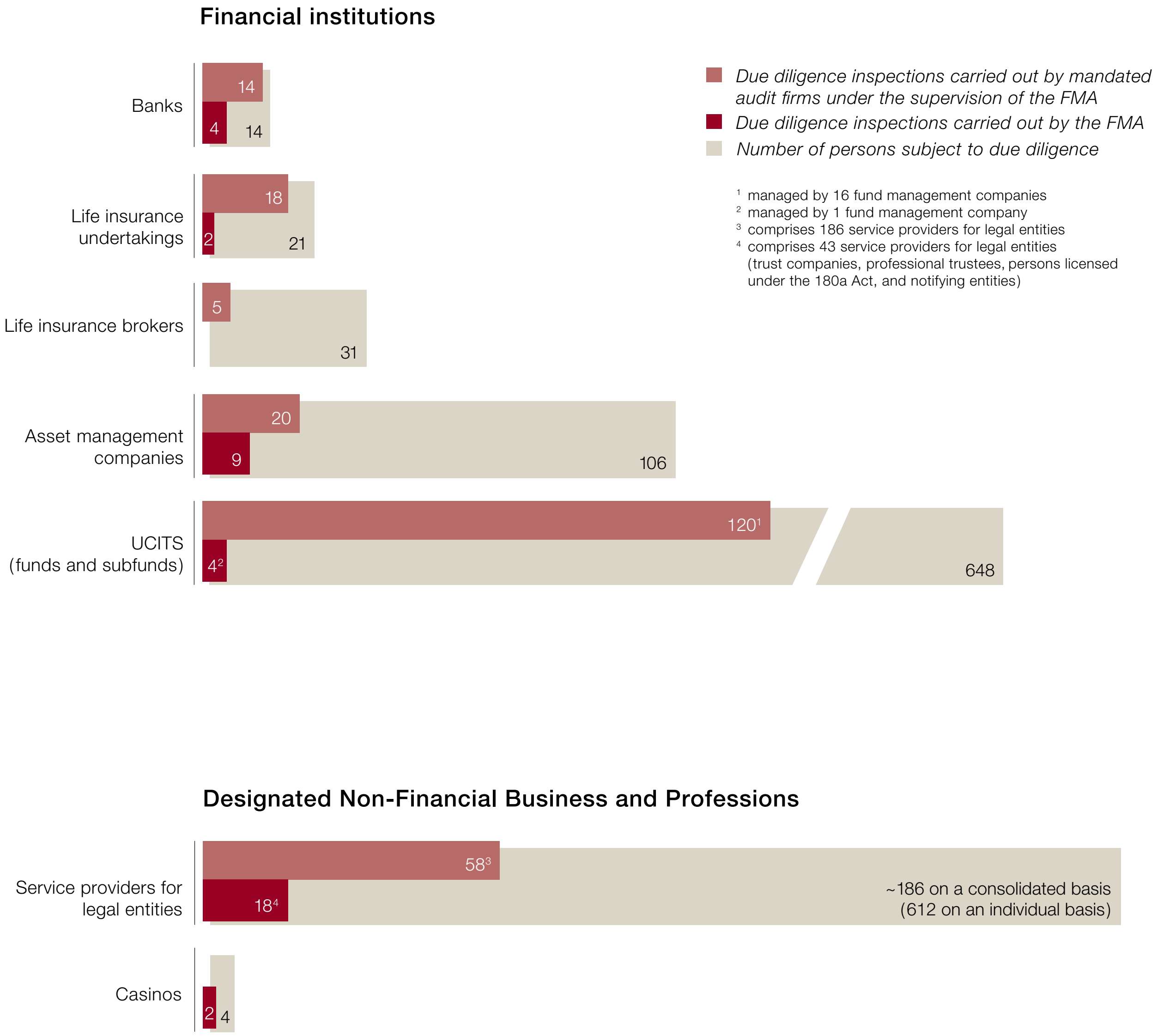


Figure 5
Due diligence inspections

During the reporting period, the FMA carried out on-site inspections with a risk-based focus at nine asset management companies. The main deficiencies identified were that historical data and materials (including initial PEP checks) were not documented as required by law, so that the FMA was unable to verify whether a PEP check was originally performed at all. Audit firms were also mandated by the FMA to conduct AML/CFT-specific on-site inspections of 20 asset management companies.

The FMA carried out an on-site inspection at one fund management company, auditing compliance with due diligence obligations of four investment funds and the organisation of the management company. There were no significant findings, but the FMA did make two recommendations aimed at increasing the information content of the internal documentation. In addition to its own on-site inspections, the FMA mandated audit firms to carry out AML/CFT-specific on-site inspections of 120 funds.

In the fiduciary area, the FMA carried out 12 on-site inspections (7 regular on-site inspections with risk-based focuses and 5 extraordinary on-site inspections), covering a total of 43 persons subject to due diligence. The inspections included 55 random samples drawn and reviewed. 69 findings (qualifications or violations) were made. Most of the findings concerned the completeness and informative value of the business profile, proper identification of the contracting party, and preparation and repetition of the risk assessment. In addition to these findings, two reports were made to the Office of the Public Prosecutor, in each case for failure to submit or late submission of suspicious activity reports to the Financial Intelligence Unit (FIU). In addition, two extraordinary on-site inspections were carried out during the reporting period in cooperation with the Liechtenstein Fiscal Authority.

In addition to its own on-site inspections, the FMA mandated audit firms to carry out 58 consolidated AML/CFT-specific on-site inspections, covering a total of 186 service providers for legal entities (trust companies, professional trustees, persons licensed under the 180a Act, and notifying entities). The audit mandates are based on the risk profile of each institution. The problematic areas identified relate in particular to risk assessment and business profiles (origin of overall assets and assets contributed). In addition to these on-site inspections, the FMA carried out six management meetings with professional trustees or trust companies during the reporting period.

Risk-based approach to anti-money laundering.

In the due diligence concept, casinos must set out the measures that the casino intends to take to ensure compliance with the obligations of due diligence legislation. In addition to auditing the due diligence concept, the FMA carries out regular due diligence inspections. In the case of the two casinos established already in 2017, the audits focused in particular on implementation of the selected identification method, risk assessment in regard to money laundering and terrorist financing, reporting by the compliance and investigating officers, and the ticket design for payouts from gaming machines. Two casinos newly licensed in 2019 began operations in the fourth quarter of 2019. The FMA audited the due diligence concepts of these two casinos as part of the licensing process.

International administrative assistance

The FMA provides international administrative assistance to foreign authorities for prudential supervision and securities supervision. The focus of administrative assistance in securities supervision is on cooperation between countries in the event of market manipulation or violations of insider trading legislation, as well as monitoring of trading in financial instruments and ensuring publication and reporting obligations. In this way, international administrative assistance makes a significant contribution to the security of markets and to customer protection.

Reporting obligations under stock exchange law	1
Insider trading	4
Market manipulation	8
Good standing	8
Activity without a licence	3
Other	2
Referral requests	5

Figure 6
Reasons for administrative assistance requests

In 2019, administrative assistance was requested from the FMA in 31 cases. 23 of these cases involved enquiries relating to securities supervision on the basis of the International Organization of Securities Commissions' multilateral memorandum of understanding (IOSCO MMoU), two cases were on the basis of the Banking Act, and eight cases involved good standing enquiries. The number of enquiries rose slightly over the previous year.

It was striking that the foreign authorities often made follow-up requests relating to facts that were already known, often based on information already transmitted. As a rule, this meant that the bans on information against the persons affected by the information requests had to be extended so as not to jeopardise the ongoing investigations.

In several cases, the FMA was also asked to give its consent to the forwarding of information already provided, either to pass on the information to prosecution authorities or to expand the investigations to include other countries.

The enquiries by the foreign authorities included very extensive cases in which the information holders transmitted numerous documents that had to be inspected by the FMA. In one of the larger cases, approximately 2300 pages of documents had to be reviewed. On the basis of this review, the FMA made an assessment of which documents and information were allowed to be forwarded to the foreign authorities in response to the requests. This assessment was then submitted to the President of the Administrative Court for approval, which he granted without

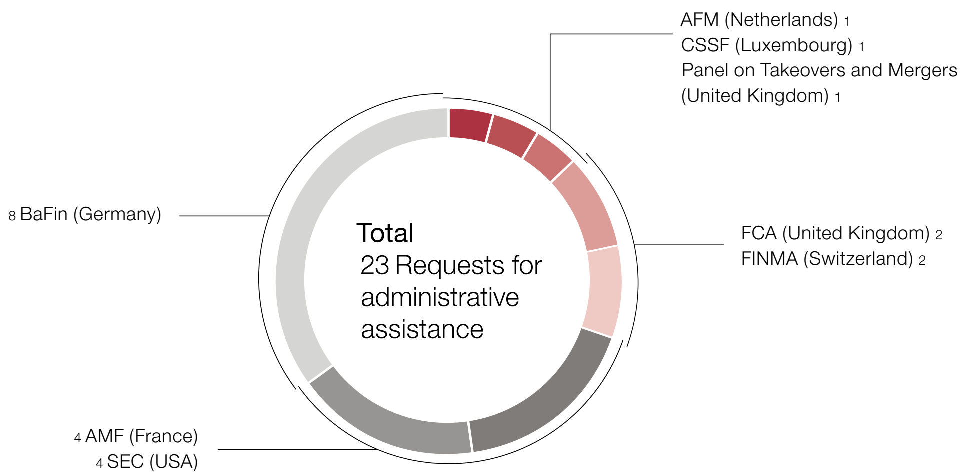


Figure 7
Requests by authority for administrative assistance relating to securities

Ramaria
in the Ramariaceae family
Ramaria are found in deciduous and coniferous forests, where they live as saprobionts on the ground or, more rarely, on rotten wood. They prefer normal soil to acid humus. They can be found scattered in small groups from July to December.

reservations in all but one case. This meant that in 28 cases, the requested information could be forwarded to the requesting authorities.

In 13 cases, the ban on information against the information holder regarding receipt of the request from the foreign authority was lifted and the persons concerned were informed accordingly about the execution of the request for administrative assistance by the FMA. In 2019, none of these persons exercised their right to inspect files or filed a complaint against an FMA decree.

Enforcement

Enforcement covers the objective of the supervisory authority defined in Article 4 of the FMA Act (FMAG) to combat abuses. Enforcement captures all activities for which the FMA determines whether an infringement has actually occurred on the basis of indications of infringements of supervisory law. If an infringement has occurred, the FMA orders the enforcement measures and sanctions necessary to restore a lawful state of affairs by way of contestable decrees, and it monitors their implementation.

As of the end of 2018, the FMA was conducting 22 administrative proceedings and 22 administrative criminal proceedings. Administrative proceedings are proceedings for the enforcement of financial market rules governed by public law. Administrative criminal proceedings are proceedings carried out by the FMA to sanction violations of (supplementary) criminal law provisions set out in financial market legislation. As of the end of 2019, preliminary investigations were underway in 21 cases. During the reporting year, 157 proceedings and preliminary investigations were completed. In 2019, the FMA imposed legally binding fines in the amount of CHF 282,500.

Numerous proceedings and preliminary investigations against financial intermediaries were conducted for violation of due diligence obligations. The due diligence obligations that financial intermediaries must fulfil serve to prevent and combat money laundering. The main reasons for the FMA to intervene were violations of the provisions concerning preparation of the profile of the business relationship, risk-adequate monitoring of the business relationship (transaction monitoring), and the associated obligation to create and maintain due diligence files (documentation obligation). Proceedings have shown that these three due diligence obligations are interrelated to a certain extent. The profile of the business relationship is the key. If the profile of the business relationship is inadequate and not up to date, then risk-adequate transaction monitoring is likewise deficient, as is also reflected in the documentation obligation.

Personnel resources were tied up especially in investigations and proceedings concerning two banks. One bank had already been subject to a licence withdrawal procedure in 2018 for violations of risk management rules and the Due Diligence Act. During the reporting period, several decrees were issued against the bank, including relating to own funds, and a special administrator was appointed. The bank was instructed to remedy the identified deficiencies. Once the deadline for compliance passes, the FMA will carry out an extraordinary inspection to review the measures taken.

Proceedings were instituted against another bank on suspicion of serious breaches including violations of the Due Diligence Act, shareholder guarantee requirements, and own funds requirements. The FMA initiated a licence withdrawal procedure, issued several decrees, and ordered measures including with respect to own funds and liquidity requirements, distribution prohibitions, additional notification and reporting obligations, and the appointment of an observer. In this supervision case – which had not yet been concluded by the end of 2019 – the close cooperation with the authorities involved, such as the Office of the Public Prosecutor and the Financial Intelligence Unit (FIU), proved to be particularly effective. In connection with a foreign money laundering incident covered widely in the media, the FMA investigated money flows via Liechtenstein banks and the compliance of those banks with due diligence obligations.

On 13 February 2019, the FMA informed on its website that it had ordered an enforced transfer of the insurance portfolios of Wealth-Assurance AG and Valorlife Lebensversicherungs-Aktiengesellschaft to Skandia Leben (FL) AG in order to protect insured persons and the reputation of the financial market. About 2800 policies with a total volume of CHF 3.8 billion were affected by the transfer. The shareholders of Wealth-Assurance AG and Valorlife Lebensversicherungs-Aktiengesellschaft no longer met the regulatory requirements and thus no longer guaranteed sound and prudent management of the undertakings. The FMA had already appointed a special administrator at the two insurance undertakings in 2016 to protect customers. With the enforced transfer of the insurance portfolio, the FMA instructed Youplus Assurance AG (formerly Skandia Leben [FL] AG) to implement the necessary measures for the transfer of the insurance portfolio. The FMA monitored and supervised the process of portfolio transfer. The FMA also decreed that the licences for business activities of Wealth-Assurance AG and Valorlife Lebensversicherungs-Aktiengesellschaft would expire after the completed transfer of the insurance portfolios.

FMA PRACTICE: INFORMATION ON SUPERVISORY ACTIVITIES

The FMA published its FMA Practice 2018 in July. The publication serves to provide in-depth information on the supervisory practice of the FMA. It provides information in anonymised form on the FMA's decisions and decrees, the decisions of the FMA Complaints Commission, and the rulings of the Administrative Court in connection with financial market supervision in 2018. FMA Practice aims to enhance legal certainty and transparency with regard to the supervision of the Liechtenstein financial market as practiced by the FMA.

On 25 September 2018, the FMA prohibited Sikura Leben AG with immediate effect from making dispositions against the company assets to shareholders and related parties. By decree of 24 June 2019, the FMA also prohibited the undertaking from concluding new insurance policies. On 4 December 2019, the FMA appointed Ernst & Young AG as a special administrator to protect policyholders. On 24 February 2020, the FMA publicly announced the transfer of the insurance portfolio from Sikura Leben AG to Quantum Leben AG. This coercive measure was ordered for the necessary and effective protection of the interests of insured persons and the reputation of the Liechtenstein financial market. The direct and indirect shareholders of Sikura Leben AG no longer fulfilled the regulatory requirements and no longer guaranteed sound and prudent management of the undertaking.

In the interest of customer protection, the Professional Trustees Act requires that a person "actually engages in the management" of the trust company who, on the basis of their trustworthiness, education, and practical experience is sufficiently qualified to guarantee sound and proper business operation. In 2018, the FMA found that several trust companies were not meeting this requirement. Persons were reported to the FMA as actually engaging in management activities who, while they had the necessary qualifications, were not actually engaged in management to the extent required by law or even not at all. Rigorous action was consequently taken. In the reporting period, the proceedings conducted in the previous year were concluded, and no further proceedings were initiated. Overall, the FMA's action had a general preventive effect in that no further new cases became known during the reporting year.

In 2019, the FMA filed a total of 29 criminal complaints with the Office of the Public Prosecutor. If the FMA becomes aware of the suspicion of a criminal offence to be prosecuted ex officio relating to its legal sphere of action, it is required to report it. Criminal complaints have been filed, for instance, for violations of the Due Diligence Act, the Banking Act, and the Market Abuse Act, as well as the unlawful performance of activities requiring a licence. In one case, there was suspicion of a prohibited issue of securities without the prospectus being approved by the FMA; in another case, a criminal complaint was filed for false reporting and non-disclosure of delegations to third parties. In 19 cases, the FMA filed a criminal complaint against employers for neglecting legal obligations such as the payment of contributions or the obligation to join an occupational pension scheme.

In the reporting period, the FMA submitted nine reports to the Financial Intelligence Unit (FIU). These reports were submitted on suspicion of money laundering, a predicate offence of money laundering, organised crime, or terrorist financing. The FMA classified one case as a high risk. The case concerned transactions of a bank with a connection to Venezuela.

In 2019, the FMA received 18 indications of alleged violations of the law via the whistleblowing section on the FMA's website. The reports concerned suspected fraud, corporate governance violations, unlawful business activities, money laundering, and various other violations of regulatory requirements. Four reports were forwarded to the competent bodies such as the Office of the Public Prosecutor, while four others were not actionable. The remaining reports were examined in detail. In the reporting year, the FMA received further information through other channels. The whistleblowing section on the website is very important for the FMA, even though no special whistleblowing software has been implemented so far.

In the reporting year, the FMA published 10 warnings and notices on its website. It communicated that persons or undertakings from the FinTech sector had repeatedly given the impression that they had a licence issued by the FMA even though this was not the case, or that they made other false statements in connection with the FMA. In this context, the FMA published five warnings and notices stating the names of the companies. The FMA also published warnings about three clone firms and urgently advised against making any investments via their websites. Clone firms assume the identity of a real company and attempt to trick users into making investments via their websites. The FMA also warned against a website operator falsely claiming to be domiciled in Liechtenstein.

Activities of the resolution authority

As a response to the bank bailouts during the last financial crisis, an international framework for the recovery and resolution of systemically important financial institutions was established. The resolution authority affiliated with the FMA is responsible for performing the associated tasks.

The key responsibility of the resolution authority is to draw up plans for overcoming crises at banks and investment firms. In particular, these resolution plans define strategies and measures to prevent the failure of critical functions and negative effects on financial stability. Resolution plans continued to be drawn up. For this purpose, the involvement of individual banks was intensified and the introduction of a reporting system tailored to the needs of the resolution authority was prepared.

Due to the international interlinkages of the financial markets, cooperation with other resolution authorities is of great importance. For this reason, the FMA participated in the work of three committees of the European Banking Authority, in international resolution colleges, and in events for exchange of expertise.

The FMA continued its development of the Liechtenstein resolution financing mechanism, which began in 2018. In the reporting year, contributions in the amount of approximately CHF 5.6 million were collected from Liechtenstein banks and investment firms. The target by the end of 2027 is 1% of covered deposits in Liechtenstein. This currently corresponds to approximately CHF 50 million.

Outlook

The FMA pays particular attention to compliance with the AML/CFT provisions based on the specifications of the 4th Anti-Money Laundering Directive. The FMA will increasingly carry out its own on-site inspections, focusing on the topics of the appropriateness of internal risk categorisation and business profiles (especially the origin of contributed assets and overall assets as well as documentation of effective contributors of assets). Shell companies, service companies, individual subscription rights, and cash transactions represent further risk areas that will be the focus of the next audit round.

With entry into force of the Token and TT Service Provider Act (TVTG) on 1 January 2020, the FMA will perform a new function as the registration and supervisory authority. The FMA will monitor developments in this new service provider market. In particular, it will determine to what extent established financial service providers are taking up these new services and how many entirely new service providers become established in Liechtenstein on the basis of the TVTG.

Priorities in the banking sector are the internal audit, dealing with conflicts of interest, earnings risk, and specific MiFID II issues. In the case of asset management companies, the FMA audits the comprehensive set of rules under MiFID II in an audit cycle of several years. In 2020, the core areas of suitability and appropriateness, product governance, and information and reporting obligations will be audited in depth, with special consideration of cost transparency.

In the insurance sector, the supervisory focus is on the audit of technical provisions, compliance with governance requirements, and outsourcing of investments. In addition, conduct of business supervision is planned with the goal of reviewing implementation of the EU Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs Regulation) and implementation of the EU Insurance Distribution Directive (IDD).

PRIORITIES OF SUPERVISION

The FMA published its “Priorities of supervision in 2020” on its website. In doing so, it is making a contribution to transparency vis-à-vis financial service providers.

For pension schemes, the persistent low interest rate phase means that particular attention is being paid to reviewing the level of the technical interest rates when forming pension capital. The level of the conversion rates will also be examined.

In the fiduciary sector, the FMA’s audit focus will be on the persons actually engaged in management, with a view to rigorous punishment of circumventions and abuse. The regulatory requirements of the revised Professional Trustees Act are simultaneously being integrated into the supervision process.

The resolution authority will finalise the resolution plans to the extent possible and implement the operational aspects of the new reporting system.

Fly agaric in the Amanitaceae family
The various species of the genus Amanita are soil-dwelling ectomycorrhiza formers with various deciduous and coniferous trees or dwarf shrubs. They inhabit habitats in which the mycorrhiza partners of the species are present.

Laws supervised and enforced by the FMA

As of 31 December 2019, the FMA is responsible for supervising and enforcing the Financial Market Authority Act (FMAG) as well as the following laws, including the associated implementing ordinances and European Level 2 measures.

1 Law on Banks and Investment Firms (Banking Act; BankG)
2 Deposit Guarantee and Investor Compensation Act (EAG)
3 Electronic Money Act (EGG)
4 Law on the Liechtensteinische Landesbank
5 Payment Services Act (ZDG)
6 Law on Settlement Finality in Payment and Securities Settlement Systems (Settlement Finality Act)
7 Law on the Disclosure of Information concerning Issuers of Securities (Disclosure Act; OffG)
8 EEA Securities Prospectus Implementation Act (EWR-WPPDG)
9 Alternative Investment Fund Managers Act (AIFMG)
10 Investment Undertakings Act (IUG)
11 Law on the Liechtenstein Postal Service (Postal Act)
12 Professional Trustees Act (TrHG)
13 Auditors and Auditing Companies Act (WPRG)
14 Patent Lawyers Act (PAG)
15 Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act)
16 Law on the Supervision of Insurance Undertakings (Insurance Supervision Act; VersAG)
17 Law on Professional Due Diligence for the Prevention of Money Laundering, Organised Crime and Financing of Terrorism (Due Diligence Act; SPG)
18 Occupational Pensions Act (BPVG)
19 Law on Insurance Protection of Buildings against Fire Damage and Damage from Natural Hazards (Building Insurance Act)
20 Asset Management Act (VVG)
21 Insurance Distribution Act (VersVertG)
22 Law on the Supervision of Institutions for Occupational Retirement Provision (Pension Funds Act; PFG)
23 Law against Market Abuse in the Trading of Financial Instruments (Market Abuse Act; MG)
24 Law on Takeover Bids (Takeover Act; UebG)
25 Law on the Supplementary Supervision of Undertakings in a Financial Conglomerate (Financial Conglomerates Act; FKG)
26 Law on Occupational Pensions of the State (State Pensions Act; SBPVG)
27 Law on Certain Undertakings for Collective Investment in Transferable Securities (UCITSG)
28 EEA Short Selling Regulation Implementation Act (EWR-LVDG)
29 EMIR Implementation Act (EMIR-DG)
30 PRIIP Implementation Act (PRIIP-DG)
31 Law on the Recovery and Resolution of Banks and Investment Firms (Recovery and Resolution Act; SAG)
32 CRA Implementation Act (CRA-DG)
33 EEA Benchmarks Implementation Act (EWR-RWDG)

PROGRESS REPORT 2019

REGULA-TION

The regulatory pressure on financial market participants remains high in light of the developments in Europe. The revised Payment Services Directive improves the security of payments and strengthens the rights of customers of payment service providers. The Deposit Guarantee and Investor Compensation Act (EAG) has created a uniform level of protection for depositors. The 5th EU Anti-Money Laundering Directive aims to prevent the financing of criminal activities using the financial system and to tighten transparency regulations. On 1 January 2020, the Token and TT Service Provider Act (TVTG) entered into force. It entrusts the FMA with the registration and incident-based supervision of 10 categories of service providers that provide their services on TT systems.

Regulatory pressure remains high

Liechtenstein's financial market regulation is shaped by the European requirements. At the European and global level, a significant tightening of regulation has occurred since the 2008 financial crisis. The fundamental goals of regulation have been to increase the resistance of the financial sector to crises, to create transparency, and to strengthen customer protection. An increase can be seen in terms of both density and depth of regulation as well as complexity.

This is also reflected in a shift in regulatory activity towards regulatory and implementing technical standards (Level 2 acts) as well as guidelines and recommendations (Level 3 acts). The aim of these rules is to create coherent, efficient, and effective supervisory practices within the European Economic Area (EEA), with a view to ensuring uniform and consistent application of EU law. In addition to harmonisation of regulation itself, the aim is accordingly also to achieve far-reaching harmonisation of supervisory activities within the EEA.

Regulatory pressure remains high for financial market participants. The focus of EU legislators is currently on changes to the supervisory and resolution regime for banks, on rules governing new financial technologies, and on tightening the AML/CFT regime.

Partial revision of the AIFM Act: Strengthening competitiveness

The revision of the Alternative Investment Fund Managers Act (AIFMG) and the associated ordinance entered into force on 1 February 2020. These revisions aim to align the provisions more closely with the minimum requirements of the AIFM Directive, amending the provisions on small AIFMs, legal forms, product regulation, structural measures, and distribution to retail investors. This provides market participants with an efficient legal basis and further strengthens the competitiveness and attractiveness of the Liechtenstein fund centre. FMA instructions, guidelines, and forms had to be adjusted in light of these changes.

New rules for payment services

The revised Payment Services Act entered into force on 1 October. With this revision and accompanying amendments to other laws, especially the Electronic Money Act, Liechtenstein has implemented the new EU Payment Services Directive (PSD 2) into national law.

PSD 2 improves the security of payments and strengthens the rights of customers of payment service providers. PSD 2 also creates a uniform legal framework within the EU single market for electronic and mobile payments. The framework is being adapted to technical progress relating to payment services. PSD 2 creates a level playing field at the European level for payment service providers, making payment transactions more efficient.

FINANCIAL CENTRE STRATEGY OF THE GOVERNMENT

The Government presented its Financial Centre Strategy in February, defining the objectives and strategic measures for the further development of the framework governing the financial sector. The Financial Centre Strategy aims to strengthen Liechtenstein's attractiveness as an international and innovative financial centre for the long term. The strategy focuses on unrestricted and equal access to important markets, compliance with international standards and thus international cooperation, and improvement of the framework provided by the State for innovative companies.

The FMA drafted the implementing legislation on behalf of the Government. Additional responsibilities were assigned to the FMA upon entry into force. The more detailed and extensive specification of the licensing process made it necessary to revise the existing licensing processes for payment institutions and electronic money institutions. Existing licences of electronic money institutions must be transferred to the new regime. For this purpose, the FMA must verify by 1 April 2020 in a simplified licensing procedure whether existing electronic money institutions meet the requirements of PSD 2. In addition to the introduction of two new categories of financial intermediaries – payment initiation service providers and account information service providers – for which new licensing or registration processes and ongoing supervision must be implemented, a notification requirement also entered into effect for service providers offering payment instruments that can be used only in limited networks.

New rules for indices

On 18 December, the EU Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, along with the EEA Benchmarks Implementation Act (EWR-RWDG) enacted to implement that Regulation, entered into force in Liechtenstein. The legislation establishes a uniform regulatory framework for benchmarks and their administrators throughout the EEA, serving to protect consumers and investors. The rules aim to ensure that benchmarks produced and used in the EEA or in third countries are robust, reliable, representative, and suitable for their intended use.

Under these rules, companies supervised by the FMA may only use benchmarks that are provided by an administrator registered in the ESMA register or that are themselves registered in the ESMA register. In securities prospectuses pursuant to the EEA Securities Prospectus Implementation Act or in prospectuses pursuant to the UCITS Act (UCITSG), references to the benchmarks used must now be included. The FMA was endowed with specific powers, administrative measures, and a penalty regime for the purpose of efficient enforcement. The EWR-RWDG will be revised for the first time in the spring of 2020.

Implementation of the Token and TT Service Provider Act

On 1 January 2020, the Token and VT Service Provider Act (TVTG), the associated ordinance (TVTV), and the instructions prepared by the FMA entered into force. The TVTG entrusts the FMA with the registration and incident-based supervision of 10 categories of service providers that provide their services on TT systems such as blockchains. These service providers include token issuers, TT exchange service providers, and TT token depositaries. Registration and incident-based supervision fall within the remit of the Regulatory Laboratory/Financial Innovation Group in the Executive Office.

THREE SERVICE PROVIDERS ON TT SYSTEMS

Token issuers: *Persons who publicly offer tokens in their own name or in the name of third parties. This includes, for example, trading venues that carry out ICOs for their customers, but also issuers of tokenised securities.*

TT exchange service providers: *Persons who exchange legal tender against tokens and vice versa and tokens for tokens. This typically includes ATMs at which cryptocurrencies can be exchanged, but also persons who offer the exchange against their own book exclusively online.*

TT token depositaries: *Persons who safeguard tokens for third parties, e.g. in a collective wallet. This also includes carrying out transactions for third parties. These services are typically provided by cryptoexchanges or wallet providers.*

Other service providers on the FMA website.

The TVTG defines the legal requirements for the provision of services on TT systems such as blockchains. This creates legal certainty and strengthens customer protection. In addition, open questions in the application of the laws – especially in regard to due diligence – are clarified in order to ensure compliance with international standards and a comprehensive and effective AML/CFL regime.

On 1 January 2020, the FMA made an online registration tool available on its website. In addition, a self-service portal has been made available, including a decision tree that provides guidance on the legal framework for FinTechs in Liechtenstein. Already in autumn 2019, comprehensive information was provided on the FMA website concerning the upcoming entry into force of the TVTG. The FMA also conducted a market survey to evaluate regional FinTech activities, market potential, and challenges for the country. The results are being made available at the beginning of 2020.

REGULATORY ACTIVITIES OF THE FMA

In accordance with the owner strategy, the FMA supports the Government in regulatory projects. For this purpose, a service agreement was concluded between the Government and the FMA. The FMA's regulatory reporting listed 17 regulatory projects in the process of implementation at the end of 2019. Additionally, the FMA works to implement numerous regulatory and implementing technical standards of the European Union. In addition to the drafting work in the legislative process, implementation of the new legal bases in the supervisory processes may also be time-consuming. A selection of regulatory projects is described in the Annual Report.

Deposit guarantee scheme under FMA supervision

The Deposit Guarantee and Investor Compensation Act (EAG) entered into force on 1 June, transposing the EU Deposit Guarantee Schemes Directive into national law and creating a uniform level of protection for depositors. The FMA prepared the Report and Motion on behalf of the Government.

The FMA's range of responsibilities has been expanded by the EAG. The FMA is responsible for the recognition and ongoing supervision of deposit guarantee and investor compensation schemes. In particular, the FMA is responsible for ongoing supervision of the Deposit Guarantee and Investor Compensation Foundation PCC (EAS), which operates the statutory protection scheme.

The purpose of the deposit guarantee scheme is to protect depositors against the consequences of the insolvency of a bank. All banks that accept deposits must be members of a protection scheme. The protection extends to all depositors of Liechtenstein banks. The insured amount is CHF 100,000 per depositor and bank. The refund period is being gradually reduced to seven working days. Another change is the gradual changeover from a deposit scheme financed purely ex post to a scheme in which the funds for the compensation case are raised ex ante by the banks.

International sanctions: Inspection of persons subject to due diligence

The International Sanctions Act (ISG) is a framework law authorising the Government to enforce internationally supported sanctions at the national level by imposing coercive measures adopted by the United Nations or by Liechtenstein's main trading partners, such as the European Union.

While the ISG or the coercive measures imposed on the basis of the ISG designate the Financial Intelligence Unit (FIU) in particular as the competent authority for the execution of coercive measures, there are currently no legal provisions governing who is to supervise the persons subject to due diligence with regard to compliance with the ISG or the coercive measures imposed.

The Government is planning a revision to provide clear rules governing these responsibilities. Under this revision, the authorities that are currently designated as supervisory authorities under the Due Diligence Act would act as the supervisory authorities. The FMA would thus be responsible for verifying compliance by persons subject to due diligence with the ISG and the coercive measures. The FIU would continue to be the competent enforcement authority, however. The revised ISG was considered by Parliament in a first reading at the end of 2019.

Financial Market Authority Act (FMAG)

An amendment to the FMAG entered into force on 1 May providing for the creation of the Financial Stability Council. The establishment of this committee follows a recommendation by the European Systemic Risk Board. The Financial Stability Council is the central body for macroprudential supervision in Liechtenstein, consisting of representatives of the Ministry of General Government Affairs and Finance and of the FMA. It meets four times a year.

Further work to amend the FMA Act concerned an expansion of the FMA's duty of cooperation to include all participants in the European System of Financial Supervision (ESFS), an expansion of the basis for providing public information, the creation of a general provision on the publication of sanctions, the alignment of the administrative assistance in securities matters with EEA law, and FMA funding.

Strengthening of AML foundations

The 5th EU Anti-Money Laundering Directive (AMLD) updates the 4th AMLD with the aim of preventing the financing of criminal activities through the financial system and tightening transparency rules. In particular, the 5th AMLD is accompanied by an expansion of the scope of application and of the covered persons subject to due diligence, including exchange platforms for virtual currencies and providers of electronic wallets. In addition to stronger due diligence with regard to high-risk countries, the powers of the financial intelligence units (FIUs) are expanded and their possibilities for cooperation and mutual provision of information are facilitated. Finally, the 5th AMLD requires more transparency with respect to beneficial owners. Due to the thematic breadth of this Directive, several administrative offices and authorities are involved in its transposition in Liechtenstein. Some aspects of the 5th AMLD have already been addressed in the Token and TT Service Provider Act. Further implementation will be ensured by adjusting the Due Diligence Act and other laws. The draft to this effect was circulating for consultation at the end of 2019.

Outlook

At the end of 2019, numerous acts falling within the FMA's scope of responsibility were published at the European level. In addition to new requirements for issuing covered bonds and their public supervision, the supervision of investment firms will also be subject to new rules. Implementation of further Basel Committee standards lies ahead. At the European level, the Mission Letter of the European Commissioner responsible for financial services published at the end of 2019 envisages completion of a banking and capital markets union, promotion of sustainable financing, development of a FinTech strategy, further strengthening of efforts to combat money laundering, and development of a common approach to cryptocurrencies.

The banking package was published in the Official Journal of the EU in mid-2019. This package includes changes to the major EU banking rules (CRD IV and CRR) and the EU resolution regime (BRRD). In supervisory law, key requirements of the Basel Committee on Banking Supervision and the Financial Stability Board (FSB) will be implemented for the European Economic Area (EEA). These include more risk-sensitive capital requirements, a binding leverage ratio to avoid excessive indebtedness of institutions, and a binding structural liquidity ratio to overcome excessive dependence on short-term refinancing on the interbank market and to reduce long-term financing risks. Furthermore, the capacity of banks to grant loans to SMEs is to be improved, and the administrative burden on small, less complex banks – which currently appears disproportionate in some cases – is to be reduced.

With regard to bank resolution, the EU legislative bodies have agreed on stricter rules governing the subordination of minimum requirements for own funds and eligible liabilities (MREL instruments) and decided to create a new category of large banks beyond the existing category of globally systemically important institutions (G-SIIs). Further subordination requirements will be formulated for these top tier banks with a balance sheet total of more than EUR 100 billion. The national resolution authorities may also subject other banks that are neither G-SIIs nor top tier banks to this treatment. The legislative bodies agreed on MREL subordination rules for each of these categories. Finally, changes were made with regard to MREL violations and the moratorium powers of the resolution authorities. Timely implementation of these new standards is essential for both financial intermediaries and the FMA.

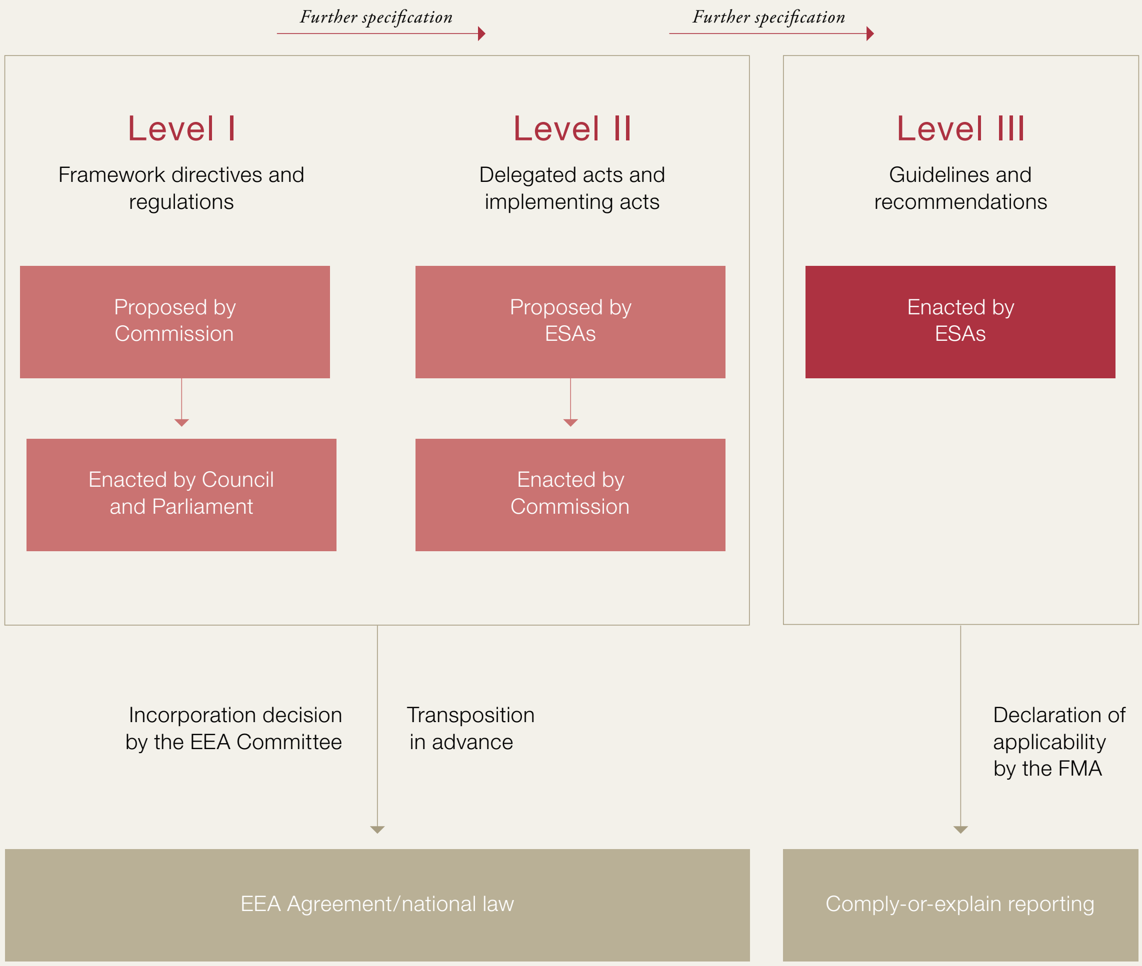
The revised Professional Trustees Act (TrHG) is scheduled to enter into force in mid-2020. The FMA was mandated by the Ministry of General Government Affairs and Finance to prepare a proposal for a revision of the TrHG and made it available to the Ministry at the end of October 2018. Transparent regulation and stringent supervision are necessary to safeguard quality in the fiduciary sector, to strengthen confidence in the industry, and to prevent abuses. The revision will most likely assign further powers and competences to the FMA.

Regulatory activity of the European supervisory authorities (ESAs)

Financial market regulation is substantially shaped by Liechtenstein's membership in the EEA. The key rules are based on European specifications.

Level 1 acts are adopted by the European Council and the European Parliament. These acts define the basic framework for European financial market regulation. Level 2 acts are adopted by the European Commission. They further specify regulatory and implementing technical standards. While the ESAs primarily play a supporting role in the case of Level 1 and Level 2 acts, they adopt Level 3 acts directly.

Level 3 acts are guidelines and recommendations addressed to national supervisory authorities. The aim of these rules is to create consistent, efficient, and effective supervisory practices within the European Economic Area (EEA), with a view to ensuring uniform and consistent application of EU law. Although guidelines and recommendations are not legally binding, they have a de facto binding effect by virtue of the obligation to report compliance to the ESAs. As a relatively small authority, the FMA faces particular challenges in this context.


Further specification
Further specification
Level I
Framework directives and regulations
Proposed by Commission
Enacted by Council and Parliament
Level II
Delegated acts and implementing acts
Proposed by ESAs
Enacted by Commission
Level III
Guidelines and recommendations
Enacted by ESAs
Incorporation decision by the EEA Committee
Transposition in advance
Declaration of applicability by the FMA
EEA Agreement/national law
Comply-or-explain reporting

Regulations of the FMA Liechtenstein

The following overview shows the regulations issued, amended, or comprehensively revised by the FMA in the reporting year.

Guidelines

FMA Guideline 2019/1
Audits of non-financial counterparties under Article 5 EMIR-DG (RPR EMIR-NFC)

FMA Guideline 2019/2
Audit guideline

FMA Guideline 2013/1
Risk-based approach under due diligence law

Communications

FMA Communication 2019/1
Supplementary obligations governing the issue and redemption of fund unit tokens and share registers

FMA Communication 2019/2
Obligations for issuers of securities and security tokens

FMA Communication 2019/3
Resolution reporting

FMA Communication 2019/4
Application of simplified requirements under the Law on the Recovery and Resolution of Banks and Investment Firms (SAG)

FMA Communication 2017/4
ICAAP (Internal Capital Adequacy Assessment Process)

FMA Communication 2017/6
ILAAP (Internal Liquidity Adequacy Assessment Process)

FMA Communication 2015/4
Communication on application of the guidelines and recommendations issued by the EBA for which the FMA has reported compliance and which are applicable in this published form under point 3.

FMA Communication 2016/3
Communication on application of the guidelines and recommendations issued by the EBA concerning electronic money institutions for which the FMA has reported compliance and which are applicable in this published form under point 4.

FMA Communication 2016/4
Communication on application of the guidelines and recommendations issued by the EBA concerning payment service providers and account information service providers for which the FMA has reported compliance and which are applicable in this published form under point 4.

FMA Communication 2013/7
Guarantee of sound and proper business operation

FMA Communication 2013/1
Communication on application of the guidelines and recommendations issued by EIOPA for which the FMA has reported “comply” or “intend to comply”.

FMA Communication 2015/1
Electronic transactions (e-Services)

Instructions

FMA Instruction 2019/1
Annual reporting under the Insurance Distribution Act (VersVertG)

FMA Instruction 2019/2
Cash payouts of vested benefits for occupational pension schemes

FMA Instruction 2019/3
Establishment of an institution for occupational retirement provision (pension fund)

FMA Instruction 2019/5
Social and labour law provisions for the cross-border activities of pension funds in the Principality of Liechtenstein pursuant to Article 20(5) of Directive 2003/41/EC

FMA Instruction 2019/6
Partial liquidation rules for pension schemes with regulatory benefits

FMA Instruction 2019/7
Safeguards applicable to business relationships and transactions without personal contact pursuant to Article 14(1) SPV (instruction on safeguards pursuant to Article 14 SPV)

FMA Instruction 2019/8
Licence to operate a payment institution

FMA Instruction 2019/9
Prudential assessment of qualifying holdings for payment institutions under the Payment Services Act (ZDG)

FMA Instruction 2019/10
Approval of a securities prospectus

FMA Instruction 2019/11
Interest rate risk in the banking book (IRRBB) – notes on the reporting format

FMA Instruction 2019/12
Verification of members of the board of directors of an investment company

FMA Instruction 2019/13
Development of fund documents

FMA Instruction 2019/14
Structural measures under the AIFMG

FMA Instruction 2019/15
Application procedure for management and distribution of an AIF

FMA Instruction 2019/16
Instruction on EEA-AIF and EEA-AIFM notification procedure

FMA Instruction 2019/17
Reporting obligation under Article 9 CSDR

FMA Instruction 2018/7
General and sector-specific interpretation of due diligence law

FMA Instruction 2018/14
Use of the semi-annual reporting form for asset management companies

FMA Instruction 2018/18
Licensing of an electronic money institution

FMA Instruction 2018/19
Licensing of a bank or investment firm

FMA Instruction 2018/20
Licensing of an audit office under special legislation

FMA Instruction 2018/22
Auditing of agents under the Electronic Money Act

FMA Instruction 2017/10
Obligations with regard to own funds and capital requirements under the CRR/BankG/BankV

Cortinarius
in the Cortinariaceae family
It grows especially in coniferous forests, rarely in deciduous forests, on acid, sandy soil and in high moors, often in the company of blueberries.

PROGRESS REPORT 2019

EXTERNAL RELA-TIONS

The FMA maintains a wide range of national and international relations. At the international level, the FMA signed a memorandum of understanding in March with the Monetary Authority of Singapore (MAS) on cooperation between the two authorities in banking supervision and resolution. In macroprudential supervision, participation in the relevant European bodies and working groups was strengthened.

Memorandum of understanding with the Monetary Authority of Singapore

The FMA strives to conclude targeted cooperation agreements (memoranda of understanding, MoUs) with foreign authorities. In March, the FMA and the Monetary Authority of Singapore (MAS) signed a memorandum of understanding on cooperation between the two authorities in banking supervision and resolution. With this agreement, the authorities have created a formal basis for bilateral cooperation between the home and host country in the area of banking supervision and resolution. The purpose of the MoU is to promote effective supervision, recovery and resolution planning, and crisis management of cross-border banks and banking groups. The conclusion of the MoU represents an important step in strengthening cooperation with the MAS and underscores the major importance of the Singapore financial centre for Liechtenstein banks.

Cooperation with partner authorities for effective supervision.

Work meetings in Vienna and Munich

The Chairman of the Board of Directors and the CEO of the FMA conducted work meetings in Vienna and Munich. The goal was to promote knowledge about the Liechtenstein financial centre among decision-makers and to strengthen confidence in the financial centre.

In Vienna, talks were held with the heads of the Austrian National Bank and the Austrian Financial Market Authority. The focus was on financial stability and regulatory issues. Other talks took place with companies owned by Liechtenstein banks, the Austrian Economic Chamber, and the Chamber of Commerce Switzerland-Austria-Liechtenstein. Several Liechtenstein financial institutions are represented in Austria by subsidiaries or branches.

In Munich, meetings of the FMA leadership took place with the president of the Deutsche Bundesbank's branch in Bavaria and the Bavarian Banking Association. Other talks were held with the management of two insurance groups that are represented in Liechtenstein by subsidiaries. At the invitation of Liechtenstein Honorary Consul Christian Waigel, the FMA representatives took part in the celebrations of the 300th anniversary of the Principality of

TRANSFER OF KNOWLEDGE AND INFORMATION

The FMA strives to pass on its specialist knowledge to financial market participants and students and to create added value with this transfer. In the reporting year, 14 FMA employees gave 26 presentations at public events. Priorities included regulatory topics in banking and due diligence law as well as new financial technologies. Employees also gave presentations at the 7th Liechtenstein Due Diligence Day, at workshops for auditors, and at information events of professional and industry associations.

The FMA maintains close cooperation with the University of Liechtenstein and passes on knowledge to university students and professionals in continuing training programmes. For this purpose, the FMA mainly teaches as part of master's, bachelor's, diploma, and certificate programmes at the Institute for Finance at the University of Liechtenstein. 10 FMA employees taught a total of 75 lessons. The FMA is especially involved in the Compliance Officer certificate programme.

Liechtenstein. The Chairman of the Board of Directors gave a speech to about 100 guests on the strategic orientation of the Liechtenstein financial centre.

Annual media conference

The FMA held its annual media conference on 17 April. Chairman of the Board of Directors Roland Mueller and CEO Mario Gassner briefed the media representatives on the new organisation of anti-money laundering supervision as of 1 April. The AML measures that were previously assigned to the four supervisory divisions have now been concentrated in the renamed Anti-Money Laundering and DNFBP Division. The speakers drew attention to the great importance of effective AML measures. The financial market players have a responsibility – especially in the context of significant inflows of new money and international sanctions – to strictly comply with due diligence obligations in order to prevent money laundering risks and thus damage to the reputation of the financial centre and the country.

Other topics discussed at the media conference included the development of the individual sectors of the financial centre and the enforced transfer in February of the insurance portfolios of Wealth-Assurance AG and Valorlife Lebensversicherungs-Aktiengesellschaft to the accepting insurance company for the protection of the insured parties.

National cooperation

The FMA maintains a regular exchange with representatives of the professional and industry associations. Key topics were risk-based supervision in money laundering prevention, sector-specific regulations, and cross-sectoral market topics. FMA specialists gave presentations at various information events of the associations during the reporting year. For the FMA, these are welcome opportunities to provide first-hand information to financial market participants on supervisory or regulatory issues. In May, the FMA organised an information event for financial intermediaries on the new regulatory requirements arising from implementation of the EU Payment Services Directive.

Relationships with the Government and public authorities arise from the FMA's supervisory activities, the preparation of regulatory projects on behalf of the Government, and the participation of the FMA in international supervisory bodies. In the fight against money laundering, cooperation with the competent authorities in criminal and supervisory investigations was strengthened. The FMA makes an important contribution during the preparation and conduct of the country's rating discussions with Standard & Poor's.

The FMA is a member of the business location initiative digital-liechtenstein.li. As part of this membership, a workshop was held on the premises of the FMA in May. FMA experts briefed representatives from industry, finance, and trade about trends in financial innovations and the work of the Regulatory Laboratory.

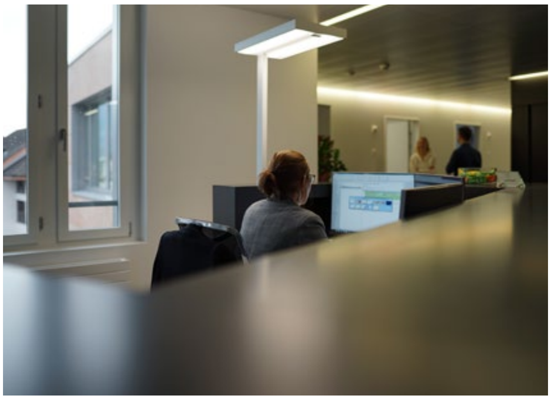
Bilateral cooperation

Cooperation with foreign partner authorities in supervisory activities has increased further through supervisory colleges and new regulatory frameworks requiring increased cross-border cooperation. As part of group supervision, Banking Supervision and Insurance Supervision have participated in numerous colleges with national supervisory authorities. As the responsible group supervisor of Liechtenstein banking groups, Banking Supervision has also organised supervisory colleges. The purpose of these colleges is to consider and assess the banking or insurance group as a whole. The colleges are held in the form of conference calls or on site at the hosting national supervisory authority. Various supervisory cases also required cooperation with partner authorities.

The growing importance of the Asian region calls for correspondingly intensified cooperation with Asian supervisory authorities, in particular those of Hong Kong and Singapore. Due to the close linkages with the Swiss financial centre, there is a close and regular exchange with the Swiss Financial Market Supervisory Authority (FINMA).

The traditional meeting of the heads of the German-speaking supervisory authorities took place in November at the German Federal Financial Supervisory Authority (BaFin) in Frankfurt. The focus topics were sustainability in the financial sector, regulatory questions relating to digital financial technologies and currencies, and the use of big data and artificial intelligence in combating money laundering. In September, representatives of insurance supervisory authorities from Germany, Austria, and

Switzerland were guests at the FMA on the topic of accounting. The FMA participated in further bilateral meetings with partner authorities during the reporting year.



1233 MEETINGS WITH CLIENTS

"We engage in dialogue" is a key sentence of one of the FMA's core principles. In the reporting year, FMA employees cultivated this dialogue with external clients at 1233 meetings. A modern and inviting client zone with friendly hospitality is available to guests. The previous record from last year was exceeded by 41 meetings. The busiest months were February and March at 117 meetings each, and 84 meetings were held in the holiday month of July.

European cooperation

The FMA is a member of the European supervisory authorities (ESAs) and participates in numerous ESA committees and working groups relevant to the Liechtenstein financial centre. In AML/CFT, the FMA is represented in the Expert Group on Money Laundering and Terrorist Financing (EGMLTF) and the competent bodies of the ESAs.

Macroprudential supervision is coordinated at the European level by the European Systemic Risk Board (ESRB), of which Liechtenstein is a member. Representatives of the FMA regularly take part in the meetings of the ESRB General Board, the Advisory Technical Committee (ATC), and the Analysis Working Group (AWG).

In the reporting year, the ESAs negotiated memoranda of understanding (MoUs) with the UK financial regulators to prepare for a hard Brexit. The FMA participated in these MoUs.

The ESAs ensure consistent and equivalent implementation and application of the regulatory framework for financial market supervision throughout Europe. Important instruments for this purpose are peer reviews, which assess the supervisory practice of the individual national supervisory authorities. In the reporting year, the FMA was involved in five peer reviews (see page 68).

ESFS
European System of Financial Supervision

Microprudential supervision

Joint Committee of the European Supervisory Authorities

Regular participation
- Anti-Money Laundering

No regular participation
- Risks and Vulnerabilities
- Consumer Protection and Financial Innovation
- Financial Conglomerates

EBA
European Banking Authority

Regular participation
- Board of Supervisors
- Resolution Committee
- Standing Committee on Regulation and Policy
- Standing Committee on Accounting, Reporting and Auditing
- Standing Committee on Oversight and Practices
- Standing Committee on Consumer Protection and Financial Innovation

No regular participation
- Standing Committee on Payment Services
- Review Panel

EIOPA
European Insurance and Occupational Pensions Authority

Regular participation
- Board of Supervisors
- Risk & Financial Stability Steering Committee
- IT and Data Committee
- Committee on Consumer Protection and Financial Innovation
- Supervisory Steering Committee
- Policy Steering Committee
- Review Panel

ESMA
European Securities and Markets Authority

Regular participation
- Board of Supervisors
- Investor Protection and Intermediaries Standing Committee
- Post Trading Standing Committee
- Market Integrity Standing Committee
- Market Data Standing Committee
- Investment Management Standing Committee
- Financial Innovation Standing Committee
- Supervisory Convergence Standing Committee

No regular participation
- Corporate Reporting Standing Committee
- Credit Rating Agencies Technical Committee
- Secondary Markets Standing Committee
- Corporate Finance Standing Committee
- Committee of Economic and Markets Analysis
- IT Management and Governance Group

Macroprudential supervision

ESRB
European Systemic Risk Board

Regular participation
- General Board
- Analysis Working Group
- Advisory Technical Committee

No regular participation
- Steering Committee
- Advisory Scientific Committee
- Instruments Working Group

NCAs
National competent authorities

Figure 8
Cooperation within the European System of Financial Supervision

Authority	Peer review	Result
EBA	Peer review on regulatory technical standards (RTS) on the criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.	No systematic deficiencies or major problems in application of RTS.
ESMA	Peer review on the collection and use of suspicious transactions and order reports (STORs) under the Market Abuse Regulation (MAR).	Positive assessment of handling of STORs. The recommendations on ensuring reporting discipline of market participants will be implemented as soon as the MAR is incorporated into the EEA Agreement.
EIOPA	Review of implementation of recommendations from previous peer reviews.	All recommendations from previous peer reviews (where applicable) fully implemented.
EIOPA	Peer review on regulatory supervisory report.	Convergent with supervisory requirements.
EIOPA	Peer review on implementation of the decision of the Board of Supervisors on the cooperation of the insurance supervisors of EEA Member States.	Not completed by end of 2019.

Table 6
Peer reviews

During the reporting year, the FMA also received 62 questionnaires from the ESAs (previous year: 27). One of the aims of these questionnaires is to examine supervisory practice. They also serve to gather information about new risks and trends, to harmonise supervisory practice in the EEA countries, and to serve as a basis for regulation. The strong increase in the number of questionnaires is related to the efforts to harmonise supervisory practice in the insurance sector.

The FMA is a member of the Committee of European Auditing Oversight Bodies (CEAOB). The CEAOB is a committee of experts of the European Commission. A core element of cooperation is analysis of findings from the quality controls of statutory auditors. The FMA participated in meetings of the CEAOB.

Global cooperation

The FMA is a member of the most important international supervisory bodies, where it represents Liechtenstein interests. These include the International Association of Insurance Supervisors (IAIS), the International Organisation of Pension Supervisors (IOPS), the International Organization of Securities Commissions (IOSCO), and the International Forum of Independent Audit Regulators (IFIAR). The FMA takes part in the annual meetings and is represented in committees and working groups.

Liechtenstein is also a member of MONEYVAL, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. MONEYVAL is one of

Peziza
in the Pezizaceae family
The peziza occurs on strongly marshy but also firmer wood. It is fairly common in Central Europe. It grows in spring and also in autumn.

the nine FATF-style regional bodies (FSRBs) of the standard-setting Financial Action Task Force (FATF). The regional bodies must likewise fully implement the FATF standard. Like the FATF, the regional bodies also carry out peer reviews of their member countries. During the reporting year, MONEYVAL considered and adopted the peer review reports on Moldova, Malta, Cyprus, and Gibraltar. An FMA specialist served as assessor for Cyprus. MONEYVAL's next assessment of Liechtenstein will likely take place in the first half of 2021.

In the reporting year, the FMA concluded a multilateral administrative arrangement for the transfer of personal data between EEA (securities) supervisory authorities and competent authorities of the signatory (IOSCO) third countries. This was a precondition for the continued possibility of exchanging personal data with third country authorities on the basis of the IOSCO MMoU after entry into force of the EU General Data Protection Regulation.

In the reporting year, the FMA also participated in the annual meeting of the Enlarged Contact Group (ECG). The ECG is an association of securities supervisors at the global level. The authorities discuss specific supervisory issues in the fund sector.

30 years of the BPVG: Event on occupational pension provision

The current challenges of the second pillar of the Liechtenstein pension system were discussed at a public event organised by the Ministry of Infrastructure, Economic Affairs and Sport in cooperation with the FMA on 24 October in the Vaduzer Saal. Liechtenstein made occupational pension schemes mandatory in 1989.

Four years ago, Liechtenstein reformed its occupational pension scheme in light of changed social and economic conditions. The goals were to secure the benefits from the second pillar and to increase the level of benefits. Undesirable solidarity arrangements, such as redistribution from young to old, as well as the increasing ratio of pensioners to employed persons, longer life expectancies that can be predicted only imprecisely, changes in form of living and working, and the persistent low interest rate environment continue to pose major challenges for the second pillar.

FACTS AND FIGURES ON OCCUPATIONAL PENSION PROVISION

In October, the FMA published its report on Occupational Pension Provision in Liechtenstein. In addition to key figures, the report contains an interview with Jérôme Cosandey on the future of the second pillar. The 2019 issue also deals in detail with solidarity arrangements in occupational pension provision.

30 years of mandatory occupational pension provision – ongoing major challenges for the second pillar of provision
Mario Gassner, FMA; Hanspeter Konrad, ASIP; Deputy Prime Minister Daniel Risch; Jérôme Cosandey, Avenir Suisse; Alexander Imhof, FMA.

Pension schemes insure 42,400 persons

Deputy Prime Minister Daniel Risch delivered the welcoming remarks. Two renowned experts – Jérôme Cosandey, Director for French-speaking Switzerland and Head of Research on the Sustainable Welfare State at the Swiss think tank Avenir Suisse, and Hanspeter Konrad, Director of the Swiss Pension Fund Association (ASIP) – addressed the more than 130 participants. In his presentation, Alexander Imhof, Deputy CEO of the FMA, discussed desirable and undesirable solidarity arrangements in the second pillar and the importance of accurate parameters.

Presentation of the Financial Stability Report

In November, the FMA presented the Financial Stability Report to about 100 guests in the Vaduzer Saal. Prime Minister Adrian Hasler addressed the event with welcoming remarks. CEO Mario Gassner and Martin Gaechter, Head of Macroprudential Supervision, explained the major findings of the report. The report concluded that the condition of the financial centre is stable, but that the challenges have increased further due to the financial market environment. Two guest speakers were also present: Bertrand Rime, Director of Financial Stability at the Swiss National Bank (SNB), spoke about current issues facing financial stability in Switzerland. Tuomas Peltonen, Deputy Head of the European Systemic Risk Board (ESRB) Secretariat, gave a presentation on the role of the ESRB in European macroprudential supervision.

Outlook

At the end of 2019, the legal acts reforming the European System of Financial Supervision (ESFS) were published. They provide for a strengthening of the three European supervisory authorities (ESAs) and the European Systemic Risk Board (ESRB). The reform of the ESFS includes in particular a revision of the competences of the ESAs. The European Securities and Markets Authority (ESMA) will in future directly supervise administrators of critical benchmarks, third country benchmarks, and certain data provision services. AML/CFT competences are to be combined within the European Banking Authority (EBA). A separate committee will be established within the EBA for this purpose, which will include the FMA as a member. Improvements will also be made to the governance structure of the authorities. In addition to increasing the efficiency and effectiveness of the system of financial supervision, the goal of the reform is also to strengthen supervisory convergence between the individual countries.

Work meetings are planned in Germany and Switzerland in 2020. By cultivating relationships and engaging in exchanges at a high level, the FMA aims to promote knowledge about the Liechtenstein financial centre among important decision-makers and to strengthen trust in the financial centre.

Stable financial centre –
increasing risks on the financial markets
Martin Gaechter, FMA; H.S.H. Hereditary Prince Alois von und zu Liechtenstein; Prime Minister Adrian Hasler; Bertrand Rime, SNB; Tuomas Peltonen, ESRB; Mario Gassner, FMA.

Increased challenges in the financial market environment

PROGRESS REPORT 2019

ENTER-PRISE

New financial technologies and digitalisation are changing the financial sector, its business models, and therefore also its supervisory activities. The FMA is responding to this transformation with a comprehensive digital strategy. The FMA attaches particular importance to its corporate culture and the competencies of its employees. For the FMA, digitalisation is an instrument to ensure efficient and effective supervision in the heavily regulated financial sector. Effective 1 April, anti-money laundering supervision was concentrated within the renamed Anti-Money Laundering and Designated Non-Financial Businesses and Professions (AML/DNFBP) Division, and staffing was increased.

Implementation of digital strategy

In 2018, the Board of Directors and the Executive Board adopted a digital strategy for the FMA. It serves as a planning and steering basis for the medium-term digital transformation of the FMA and defines projects with a time horizon until 2022. The strategy covers ongoing digitalisation of the financial markets and the associated demands on supervisory activities, digital interaction with financial intermediaries and European supervisory authorities, and digitalisation of FMA-internal processes. As part of the digital financial ecosystem, the FMA must contribute pragmatically and actively to the positive development of that ecosystem. Digitalisation also offers great potential for increased efficiency.

During the reporting year, the FMA examined its risk culture with regard to the digitalisation of financial markets. Already in the previous year, the FMA Code was updated with a specific section on digital transformation. Specific measures such as training courses, invitations to external speakers, and blog posts are intended to promote cultural change within the FMA. A corporate culture that supports and promotes digital transformation is crucial. A competency model was also developed for the FMA to recognise the necessary leadership, personal, and social competencies as well as the specialised and methodological competencies it needs to master the digital transformation.

An online registration process was created for the Token and TT Service Provider Act (TVTG). A similar process was already set up for the licensing of insurance intermediaries. An online self-service portal for FinTech was also launched at the end of 2019. Users can follow a decision tree to find out which legal framework applies to their planned activities and which licensing and registration requirements must be met. The result of this decision tree serves merely as preliminary, non-binding guidance. The FMA is then available for timely follow-up enquiries.

During the reporting year, processes were identified and prioritised for digitisation or automation. One priority is data analysis for supervision purposes. Administrative and personnel management processes were also prioritised.

Corporate governance

Declaration on compliance with the Recommendations on the Governance and Control of Public Enterprises in Liechtenstein

The Board of Directors and the Executive Board of the FMA Liechtenstein confirm that the Recommendations on the Governance and Control of Public Enterprises in Liechtenstein, in the version of July 2012, have been complied with without exception.

Integrated risk management and control system

The FMA has an integrated risk management and control system (IRMCS) for the purpose of quality assurance and to avoid damage to reputation, cases of official liability, or organisational failure. The IRMCS also covers aspects such as information security, compliance, personal safety, data protection, and operational and occupational safety.

During the reporting year, contract management was integrated into the governance risk compliance tool. This provides a central overview of all FMA contracts. The new FMA data protection concept also entered into effect. Measures pursuant to this concept have already been implemented or have been used as an occasion to re-evaluate and optimise existing procedures and structures. Employees received training and sensitisation in regard to the requirements of data protection law.

The FMA attaches great importance to cybersecurity. Like the financial intermediaries supervised by the FMA, the FMA must also meet high standards in this regard. In the reporting year, cyber response plans were developed for priority scenarios in order to respond quickly and in a targeted manner to attacks. The FMA uses the IT infrastructure of the State. The plans were therefore developed in cooperation with the Office of Information Technology.

FMA funding

The FMA is funded by a contribution from the State, supervisory taxes and fees, and income from the provision of services. In the reporting year, the rules governing the State contribution for the following years had to be redefined. The existing rules had been adopted for a limited time period through 2019.

At the beginning of October, the Liechtenstein Parliament passed the proposal on amendment of the Financial Market Authority Act. The existing funding system was retained in principle. The Principality of Liechtenstein will continue to contribute a maximum annual amount of CHF 5 million to FMA funding for the years 2020 to 2023. The rules governing the maximum reserve amount were changed. The maximum reserve amount will be gradually reduced from 50% to 25% of the average ordinary expenses of the FMA over the past three years according to the financial statement. In addition, selective adjustments were made to the rules governing fees and fee increases, especially in regard to banking groups, investment firms, and DNFBPs. The changes entered into effect on 1 January 2020.

Outlook

The FMA considers digitalisation to be a means for further increasing the efficiency and effectiveness of supervision and administrative processes. At the same time, digitalisation is changing the financial markets and therefore also supervision. The FMA intends to competently and actively support this transformation, which affects all financial intermediaries. The further implementation of the FMA's digital strategy is thus a focus of our development as an enterprise. Employees are crucial to this strategy's success. Accordingly, projects relating to ensuring professional competencies and corporate culture in a digital environment are a core element of the strategy.

In the reporting year, an expert reviewed the FMA's IT architecture and gave it good marks. The FMA has a modern IT infrastructure and application basis for implementing its digital strategy. Priorities in the further development of the IT infrastructure are the e-Service platform and data analysis for supervision purposes. Cybersecurity also has a high priority. Based on its service agreement, the FMA uses the IT infrastructure and IT services of the National Administration to the extent possible.

Instagram #fmainsights. From the series "On the way to work".

STRONG COMMUNICATION CHANNELS

The FMA website was visited by an average of 6700 users per month, with a total of about 189,000 hits. Most recorded visits were from Switzerland, followed by Liechtenstein, Germany, Austria, the United States, the United Kingdom, and India. In addition to the FMA website, Twitter has become a permanent communication channel for news. The business networks LinkedIn, XING, and kununu are used to position the FMA in the labour market and to recruit employees. The FMA has more than 1000 followers on LinkedIn. Instagram is part of the innovative employer presence www.fma-li.li/karriere. The social media channel provides insights into the fascinating living and working environment of the FMA team.

Work-Life Balance

The FMA is an attractive employer. This includes enabling women and men to reconcile their work and family life. We asked Manuela, Julia, and Michael how they do this.

Michael, Manuela und Julia

"Over lunch, I drive to my mother's place. She cooks for my 12-year-old son, my sister, and me. Our time together is very valuable, also because my son is in football training two evenings a week. I work full-time for the FMA. Thanks to my mother's support, this goes quite well. My supervisors are also receptive to my duties as a mother. When my son broke his foot, I arrived later to work and had to leave early. The fact that I am normally able to get home at the same time each day is also important to me. I very much appreciate this flexibility of my employer."
Manuela, *Officer/Assistant*

"The FMA does a lot to ensure compatibility of family and career. Our son was born in the spring two years ago. After maternity leave, I was able to reduce my previous full-time workload to 60%. I was very pleasantly surprised by how easily this was decided and implemented. Not only that: My supervisor was also flexible with regard to my attendance times at the office. Another positive aspect is the option of working from home. This is practical when there are sudden changes in my daily life at short notice. This lets me be even more flexible in my planning."
Julia, *Resolution Authority Specialist*

"Four years ago when our second child was born, I reduced my workload to 80%. I wanted to have more time for the children and to be part of their stages of development. The FMA supported that. Today I realise that I was sort of a pioneer back then. Part-time work is becoming more and more important for fathers as well. This was the right decision for me, and a very important one, which I made together with my partner. On my day off, I often take care of things that would otherwise have to wait until the weekend. And just recently I went on a ski tour in the morning, and in the afternoon I went to the indoor swimming pool with the children."
Michael, *Legal Specialist*

Organisational chart of the FMA as of 31 December 2019

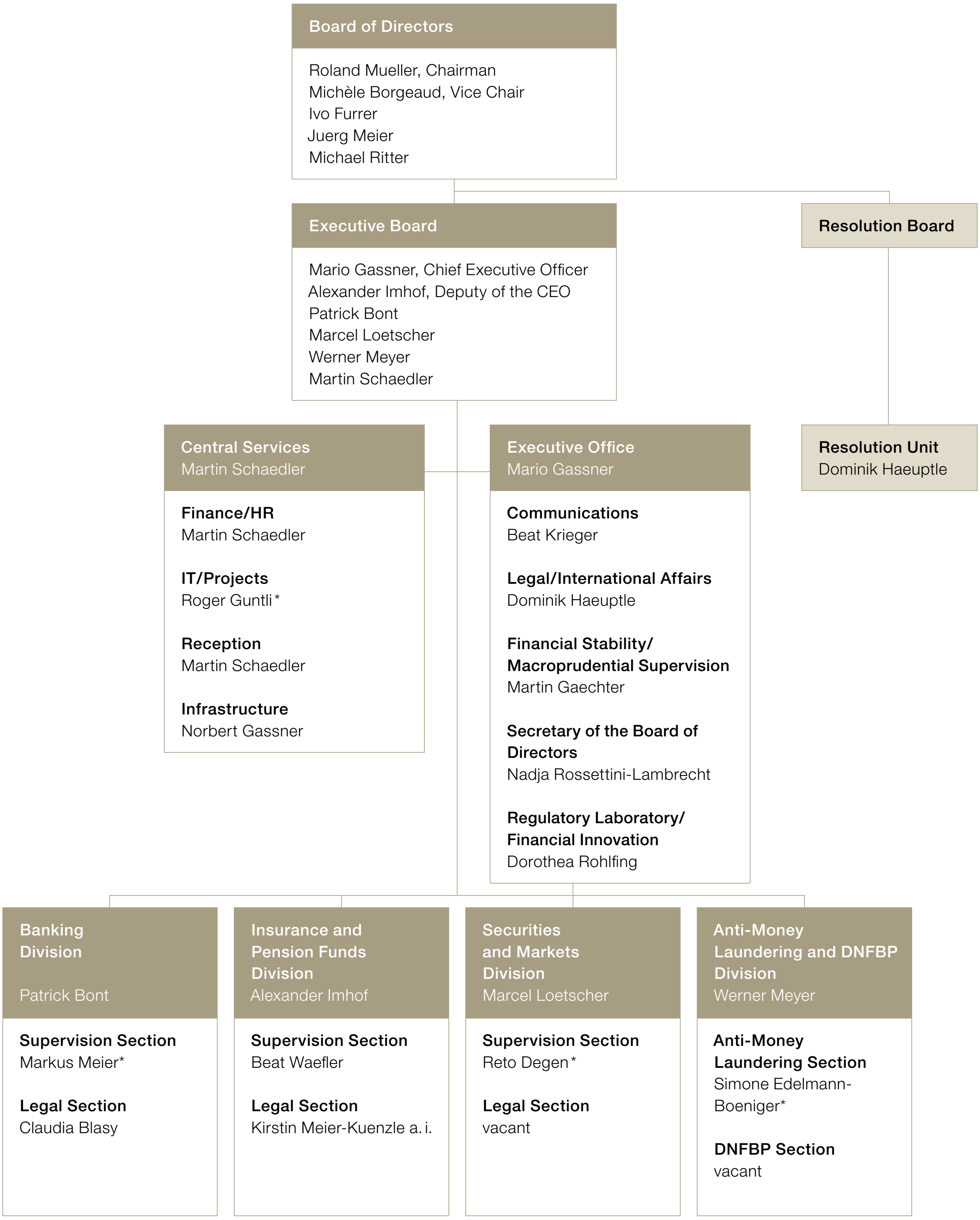


Figure 9 Organisational chart

*Deputy Head of Division or Unit

Governing bodies of the FMA as of 31 December 2019

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
Roland Mueller, Staad (Switzerland),
elected from 2010 to 2016 (Vice Chairman),
from 2017 to 2019, and from 2020 to 2021

Vice Chair
Michèle Borgeaud, Altendorf (Switzerland),
elected from 2017 to 2021

Members
Ivo Furrer, Zurich (Switzerland),
elected from July 2011 to June 2016 and from July 2016 to June 2021
Juerg Meier, Eschen,
elected from 2016 to 2020
Michael Ritter, Eschen,
elected from 2010 to 2014 and from 2015 to 2019

Executive Board

Chief Executive Officer
Mario Gassner, Triesenberg

Deputy of the CEO and Head of Insurance and Pension Funds Division
Alexander Imhof, Vaduz

Head of Banking Division
Patrick Bont, Niederteufen (Switzerland)

Head of Securities and Markets Division
Marcel Loetscher, Baden (Switzerland)

Head of Anti-Money Laundering and DNFBP Division
Werner Meyer, Wettswil (Switzerland)

Head of Central Services
Martin Schaedler, Triesenberg

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 in principle governed by the specific provisions relating to the National Audit Office. The National Audit Office performs this function until the Government decides otherwise.

Figure 10
Governing bodies

PROGRESS REPORT 2019

TEAM

The FMA offers a wide range of training options. A special trainee programme guides young professionals through the various supervisory divisions of the FMA. The FMA also attaches great importance to the compatibility of family and career in all positions. The FMA's defined goal is to significantly increase the proportion of women in leadership positions.

Implementation of gender diversity strategy

In 2018, the Board of Directors adopted a gender diversity strategy for the FMA. This strategy aims to increase the proportion of women in the management team. As a target, a proportion of 20% women in management positions has been defined by the end of 2021. Substantial improvements have been made since the strategy was adopted. At the end of 2019, the proportion of women in management positions was 21%, up from 15% at the end of 2018. The proportion of women overall at the FMA is 44%.

Working conditions must be designed in such a way that compatibility of family and career is guaranteed for both sexes at all levels of the hierarchy and in all functions at the FMA. The gender diversity strategy includes part-time work options for leadership and project manager positions. One female employee working part-time was promoted to Head of Section effective 1 January 2019.

As part of our strategy implementation, the language, content, and layout of the FMA's job advertisements were reviewed and adjustments were made to ensure their attractiveness for both sexes. Discussions were held with mothers to clarify their needs for better compatibility of family and career. The results were published on the intranet. In 2015, the FMA adopted a comprehensive human resources strategy. The implemented measures – such as more flexible working hours and options to work from home – have turned out to be suitable to better ensure the compatibility of family and career in all positions.

Dialogue in the focus of employee/supervisor discussions

During the reporting year, the FMA developed a new concept for employee/supervisor discussions. The new format for these discussions will be applied starting in 2020. The previous performance and potential review, with detailed guidelines and a defined appraisal template, was no longer considered optimal.

The new FMA dialogue focuses on a discussion between employee and supervisor. The employee appraisal using an evaluation scale has been eliminated. The timing and frequency of the discussions can be chosen on an individual basis. Once a year, the results of the dialogue are recorded in writing and forwarded to HR. The entire process is integrated digitally into the information and collaboration platform PIAZZA. This guarantees a simple and efficient workflow.

Development of the workforce

In 2019, the average workforce at the FMA was 104 (previous year: 98). As of the end of December, the FMA employed 110 people (99). Five were employed on a temporary basis. The share of women was 44% (40%). 25 employees worked part-time (21). 11 employees left the FMA during the reporting year (8) and 17 new employees joined the FMA (11). In total, 96.1 full-time equivalent positions (87.6) and 3.8 temporary positions (3.8) were filled at the end of 2019. The number of full-time equivalents approved by the Board of Directors as of the end of 2019 was 99 (92) and the number of temporary positions was 3.8.

In 2018, the Board of Directors had approved seven additional positions for the reporting year. New European requirements necessitated the creation of an additional position in macroprudential supervision. The resolution authority received one additional position. With two positions, it now has the staffing envisaged in the Report and Motion on the Recovery and Resolution Act. Anti-money laundering was assigned an additional position. One position each was created to handle additional responsibilities in the Banking Division and the Securities and Markets Division. Finally, two positions were planned for the FMA's responsibilities under the Token and TT Service Provider Act (TVTG).

For 2020, the Board of Directors approved two additional full-time positions and one temporary position. The IT/Projects Group will be strengthened with a second application manager to implement the digital strategy. Digital applications are intended to increase the efficiency and effectiveness of internal processes and supervision. The second permanent position and the temporary position will strengthen the Anti-Money Laundering and DNFBP Division. The number of casinos is increasing, and the frequency of due diligence inspections to combat money laundering will increase accordingly. Due diligence supervision under the TVTG and the upcoming assessment of AML measures by MONEYVAL are also increasing the FMA's workload. The number of positions for the coming year will therefore increase to 101 full-time positions and 4.8 temporary positions.

The FMA offers internship opportunities for students and graduates. As of the end of 2019, seven interns accounting for a total of 5.9 full-time positions were employed. These internships are generally in the legal or economic field, with a duration varying from six to 12 months. In total, 10 holiday interns were employed in various areas for a period of one to three months. The FMA also offers three training positions for commercial apprentices. The apprentices are employed with the Liechtenstein National Administration. Over the course of their training, they work for a variety of public authorities and government offices.

In addition, two persons were offered a secondment with the FMA. Two FMA employees completed a secondment with foreign authorities. A secondment is a temporary assignment of a person from enterprises or public authorities whose activities are closely related to those of the FMA. The goal is to expand the exchange of experience with the financial sector, other supervisory authorities, and relevant international organisations. Secondees remain in their normal employment relationship with the sending authority or enterprise and are paid by them.

Educational background and nationalities

Because of its complex and specialised areas of responsibility, the FMA has a very high share of employees with an academic background. 50% of employees are lawyers, and 33% are specialists such as auditors, banking experts, economists, or actuaries. 17% of employees are officers or have a different educational background.

28% of the employees are Liechtenstein citizens, 23% Swiss citizens, 36% Austrian citizens, and 11% German citizens. The FMA strives to employ as many Liechtenstein citizens as possible. Young Liechtenstein professionals are given priority in the FMA's training programmes such as traineeships and internships.

THE FMA PLAYS CARDS THE BEST

You can't be more successful than this: Constantin, Fabian, Daniel, and Moritz won the 2019 Company Championship in Jass, the traditional regional card game. Congratulations to the four FMA aces! The FMA's own Constantin was even the best player overall. The championship is organised by the Liechtenstein Company Sports Association, which also hosts annual championships in tobogganing, football, and bowling. The FMA is a force to be reckoned with in these disciplines as well.

Changes and promotions

The Government appointed Roland Mueller as Chairman of the Board of Directors for an extraordinary term of office from 1 January 2020 to 31 December 2021. After two five-year terms of office, Michael Ritter retired from the FMA Board of Directors at the end of 2019. The Government appointed Christian Batliner as his successor on the Board of Directors for a term of office of five years, from 1 January 2020 to 31 December 2024.

Effective 1 January, Claudia Blasy took over as Head of the Legal Section in the Banking Division. Markus Meier was promoted to Deputy Head of the Banking Division effective 1 April, and Simone Edelmann-Boeniger to Deputy Head of the Anti-Money Laundering and DNFBP Division effective 1 September. After Philipp Fuchs changed positions, Kirstin Meier-Kuenzle took over as Head of the Legal Section in the Insurance and Pension Funds Division effective 24 September. After Heinz Schaedler's departure, Norbert Gassner took over as Head of Infrastructure in Central Services effective 1 November. Patrik Galliard resigned from the FMA. Martina Tschanz will take over as Head of the DNFBP Section in the Anti-Money Laundering and DNFBP Division effective 1 February 2020. The position of Head of the Legal Section in the Securities and Markets Division was vacant as of the end of 2019 upon the resignation of Claudio Concin at the end of November.

Hit the ground running with the FMA

The private sector and public authorities depend on qualified specialists. The FMA attaches great importance to the advancement of young professionals, and its various training programmes have much to offer women and men – a win-win situation, since young professionals also contribute their knowledge and give much back to the FMA. Some of these young professionals have already decided to stay with the FMA or have returned to the FMA later in their careers.

Martin, Rebekka und Carmen

"In my first year as an apprentice, I spent six months working for the FMA. There was so much new to learn, and I was glad that everything was patiently explained to me. I was impressed by the very pleasant working atmosphere within the team. After my commercial apprenticeship, I returned to work for the same team at the FMA. I work in the Anti-Money Laundering and DNFBP Division. One focus of my work is licensing, where I perform the initial evaluations. Since entering a vocational baccalaureate programme last summer, I now work in a 60% position instead of my original full-time position. Two days a week, I attend classes at the BMS Liechtenstein."
***Rebekka,** Officer*

"After my studies in the United Kingdom and an internship at Liechtenstein's mission to the United Nations in New York, the FMA was an excellent way to enter my professional career. I have been working at the FMA for about a year as a junior trainee. Over the course of two years, I work in four supervisory divisions, from banking to insurance supervision. This gives me an in-depth look at everything. What particularly appeals to me is this combination of the legal and business perspectives that we take in supervision. My colleagues teach me a lot, and I can contribute my knowledge in return. This job rotation model is a great thing."
***Martin,** Junior Specialist*

"Colleagues recommended the FMA to me for an internship. I also wanted to get to know the public sector before finishing my studies. Before the FMA, I worked in the fiduciary sector. Knowing both sides is certainly a big plus for my career. I am in the third semester of my master's degree in law at the University of St. Gallen. After my studies, I want to work here in Liechtenstein. I work two days a week at the FMA, which is easy to reconcile with my studies. I support the lawyers in their supervision of the fiduciary sector, conduct legal research, and assist in drafting decrees. The work is indeed very multifaceted."
***Carmen,** Intern*

Outlook

With its career website and the social media channels Instagram, LinkedIn, and Xing, the FMA has a good foundation for targeting potential specialists in a cost-effective way. On LinkedIn, the FMA has more than 1400 followers. The potential of these channels in human resources marketing will be relied on even more heavily in future. Participation in career days is also planned.

In 2017, the FMA took part in the Swiss Employer Award benchmark study. This employee survey will be repeated in 2020. The goals are to measure employee satisfaction compared with peers in the financial services sector, with which the FMA competes in its recruitment of employees. The last survey indicated a very high level of employee satisfaction. Since then, the FMA has implemented further measures in its employee and gender diversity strategy to increase its attractiveness as an employer.

The core element of the digital strategy is the development and expansion of digital expertise. For this purpose, the FMA relies heavily on internal training, which is carried out by external experts or FMA employees. Training on information security is especially important.

#FMAINSIGHTS #TRAVELBLOG

The FMA Career Travel Blog will go online in spring 2020. FMA employees will describe their favourite places and provide tips for life in Liechtenstein. The blog provides an insight into the FMA's living and working environment. The project was implemented entirely by an intern.

The FMA as an employer: fascinating, attractive, and international.

Cortinarius
in the Cortinariaceae family
It grows especially in coniferous forests, rarely in deciduous forests, on acid, sandy soil and in high moors, often in the company of blueberries.

Tricholoma
in the Tricholomataceae family
Lives in coniferous forests, rarely also in deciduous forests, preferably on acid soil, and fructifies between August and October.

ANNUAL REPORT AND

FINANCIAL STATE-MENT 2019

ANNUAL REPORT AND FINANCIAL STATEMENT 2019

Annual report

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

In its meeting of 20 November 2018, the Government approved the detailed 2019 FMA budget with a State contribution of CHF 5,000,000 and expenses of CHF 24,100,000. The actual expenses for the 2019 fiscal year were CHF 23,692,712, CHF 407,288, (1.7%) below the approved budget.

Income without the State contribution amounted to CHF 18,233,158, which was CHF 363,158 (2.0%) higher than budgeted.

Pursuant to Article 30b FMAG, the FMA is required to set aside reserves each year, until the total reserves have reached 50% of the average ordinary expenses over the past three years according to the financial statement. Under this legal requirement, the reserves for the year 2019 could reach a maximum of CHF 11,481,733. Because the financial statement for the 2019 fiscal year showed a loss and the maximum reserve amount was not exhausted, the State contribution for the 2019 fiscal year amounted to CHF 5,000,000. Total income including the State contribution was thus CHF 23,233,158. Deducting the total expenses of CHF 23,692,712, the accounts closed with an annual loss of CHF 459,554.

Personnel expenses in the 2019 fiscal year amounted to CHF 16,398,770 and were thus CHF 251,230 (1.5%) lower than budgeted. In particular, salaries and social security contributions were lower than budgeted. The main reason for this is that certain vacant positions could not be filled without interruption and that the Token and TT Service Provider Act (TVTG) was delayed. The positions envisaged for implementation of the TVTG were therefore not filled as scheduled.

At CHF 5,726,005, other operating expenses were CHF 108,995 (1.9%) lower than budgeted. Travel expenses and public outreach were the main items below budget. This was primarily due to less participation in international events and lower communication expenses relating to the TVTG. On the other hand, costs for experts were the main item above budget. This was primarily due to unforeseeable costs for supervision cases as well as increased costs due to a case involving official liability. In its core function as a supervisory authority, the FMA deals with numerous supervision cases. The past fiscal year showed that these costs are not foreseeable and that this risk for the annual financial statement will persist in the coming years.

At CHF 1,543,673, write-downs were CHF 51,327 (3.2%) below budget.

As already mentioned, the FMA had an annual loss of CHF 459,554 in the 2019 fiscal year. After offsetting the loss with the reserves, the total reserves thus amounted to CHF 9,619,644 as of 31 December 2019.

Outlook

In October 2019, the Liechtenstein Parliament amended the Financial Market Authority Act (FMA funding: Rules governing the State contribution from 2020). Under these changes, the maximum permissible level of reserves will be gradually reduced by the 2022 fiscal year from 50% today to 25% of the average ordinary expenses over the past three years according to the financial statement (2020: 40%, 2021: 30%, 2022: 25%). The time-limited State contribution to the FMA in the amount of at most CHF 5,000,000 was extended by another four years (2020–2023).

Balance sheet as of 31 December (in CHF)

Assets		2019	2018
Fixed assets			
Intangible assets	– Software	1,074,212.24	1,216,611.34
Tangible assets	– Operating equipment	73,970.20	247,112.10
	– IT equipment	64,688.59	156,909.58
	– Furnishings	74,795.15	98,184.89
Current assets			
Receivables	– Receivables from services	175,599.31	756,248.04
Bank deposits and cash	– Bank	12,244,668.00	11,333,314.42
	– Cash	812.70	478.75
Accrued items		332,763.78	253,683.60
TOTAL ASSETS		**14,041,509.97**	**14,062,542.72**

Liabilities			2019		2018
Equity capital					
	– Endowment	2,000,000.00		2,000,000.00	
	– Reserves	10,079,198.09		10,330,212.97	
	– Annual loss	–459,554.42		–251,014.88	
		11,619,643.67	11,619,643.67	12,079,198.09	12,079,198.09
Provisions					
	– Other provisions		445,268.71		494,296.87
Accounts payable					
	– Accounts payable from deliveries and services		944,264.02		775,960.66
	– Accounts payable to the Principality of Liechtenstein		525,930.53		204,303.88
	– Other accounts payable		384,635.09		433,639.34
Deferred items			121,767.95		75,143.88
TOTAL LIABILITIES			**14,041,509.97**		**14,062,542.72**

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

	2019	Budget 2019	Budget dev.	2018
Fees and taxes				
Licensing fees	881,610.50	1,000,000.00	–118,389.50	1,089,910.46
Supervisory taxes	16,386,438.15	16,100,000.00	286,438.15	16,105,719.50
Audit fees	33,775.65	30,000.00	3,775.65	38,544.85
Other fees	794,470.28	700,000.00	94,470.28	916,541.46
Other operating income	136,863.08	40,000.00	96,863.08	25,195.42
State contribution	5,000,000.00	5,000,000.00	0.00	5,000,000.00
	23,233,157.66	**22,870,000.00**	**363,157.66**	**23,175,911.69**
Personnel expenses				
Wages and salaries	–13,318,677.89	–13,515,000.00	196,322.11	–12,698,299.72
Social security contributions and expenses for retirement provision and support	–2,402,884.98	–2,455,000.00	52,115.02	–2,316,997.65
of which for retirement provision	*–2,065,782.70*			*–1,954,925.85*
Board of Directors	*–677,207.48*	–680,000.00	2,792.52	–675,278.63
Depreciation and value adjustments				
Depreciation on software	–1,208,300.75	–1,260,000.00	51,699.25	–1,190,606.49
Depreciation on IT equipment	–110,717.41	–110,000.00	–717.41	–131,495.08
Depreciation on furnishings	–51,512.49	–50,000.00	–1,512.49	–62,938.82
Depreciation on operating equipment	–173,141.90	–175,000.00	1,858.10	–173,142.85
Other operating expenses				
Other personnel expenses	–239,613.45	–240,000.00	386.55	–242,695.83
Basic and continuing training	–339,049.74	–370,000.00	30,950.26	–392,480.99
Office expenses	–233,917.00	–230,000.00	–3,917.00	–238,821.26
Travel expenses	–478,080.23	–560,000.00	81,919.77	–580,502.13
Expert fees/opinions	–733,031.58	–640,000.00	–93,031.58	–981,486.15
Audit firms	–359,322.40	0.00	–359,322.40	0.00
Reimbursements for audit firms	356,953.00	0.00	356,953.00	0.00
Premises	–1,964,772.81	–1,970,000.00	5,227.19	–1,948,431.67
Insurance	–74,369.40	–50,000.00	–24,369.40	–47,586.40
IT costs	–1,033,881.60	–1,030,000.00	–3,881.60	–1,043,082.46
Public outreach	–120,899.19	–180,000.00	59,100.81	–118,533.91
Events and representation	–33,858.87	–40,000.00	6,141.13	–26,500.19
Membership fees for associations/institutions	–313,013.88	–295,000.00	–18,013.88	–291,253.60
Audit expenses	–33,775.65	–30,000.00	–3,775.65	–38,544.85
Other expenses	–91,892.29	–100,000.00	8,107.71	–190,837.71
Losses on accounts receivable	–33,480.13	–100,000.00	66,519.87	–19,440.69
Other interest and similar expenses	–24,263.96	–20,000.00	–4,263.96	–17,969.49
Annual loss	**–459,554.42**	**–1,230,000.00**	**770,445.58**	**–251,014.88**

Summarised income statement	2019	Budget 2019	Budget dev.	2018
TOTAL INCOME	**23,233,157.66**	**22,870,000.00**	**363,157.66**	**23,175,911.69**
Personnel expenses	*–16,398,770.35*	*–16,650,000.00*	*251,229.65*	*–15,690,576.00*
Depreciation and value adjustments	*–1,543,672.55*	*–1,595,000.00*	*51,327.45*	*–1,558,183.24*
Other operating expenses	*–5,726,005.22*	*–5,835,000.00*	*108,994.78*	*–6,160,197.84*
Other interest and similar expenses	*–24,263.96*	*–20,000.00*	*–4,263.96*	*–17,969.49*
TOTAL EXPENSES	**–23,692,712.08**	**–24,100,000.00**	**407,287.92**	**–23,426,926.57**
Annual loss	**–459,554.42**	**–1,230,000.00**	**770,445.58**	**–251,014.88**

Notes on the financial statement

Financial accounting principles

According to Article 32 FMAG, the supplementary provisions for specific company forms set out in the Law on Persons and Companies (PGR) apply to the preparation of the annual report including the financial statement. The FMA uses the provisions for large companies in this regard. These provisions demand that the financial statement give a true and fair view of the assets and liabilities, financial position, and profit or loss.

Balancing and valuation method

Tangible assets are valued at acquisition cost reduced by depreciation. Depreciation is calculated using the straight-line method, based on the acquisition value. The depreciation policy provides for the following useful lives:

Category	Useful life
Software	3 Years
IT equipment	3 Years
Furnishings	5 Years
Operational equipment	10 Years

Table 1
Useful life

Receivables are stated at nominal value, reduced by any required value adjustments. Provisions are to be calculated so as to take sufficient account of all identifiable risks in accordance with sound commercial judgment. Accounts payable are valued at their nominal value or at the repayment amount, whichever is higher.

Foreign exchange rate

The FMA only invoices in CHF. Accounts payable in currencies other than CHF are stated at the mean spot exchange rate on the balance sheet date.

Receivables

All receivables have a maturity of less than one year. They are stated in the balance sheet at nominal value. Value adjustments for risks identifiable on the balance sheet date are made to the extent necessary for business purposes. All value adjustments are offset directly against receivables.

Fixed assets in CHF

The development of the individual fixed asset items is shown separately in the fixed asset schedule:

Fixed assets		Software	IT equipment	Furnishings	Operating equipment	Total
Acquisition costs	Balance 01.01.2019	7,139,600.82	432,240.09	929,974.75	1,731,428.55	**10,233,244.21**
	Acquisitions	1,066,001.62	18,943.50	28,433.45	0.00	**1,113,378.57**
	Divestitures	4,341,235.50	7,700.60	2,663.20	0.00	**4,351,599.30**
	Balance 31.12.2019	3,864,366.94	443,482.99	955,745.00	1,731,428.55	**6,995,023.48**
Depreciation	Balance 01.01.2019	5,922,989.48	275,330.51	831,789.86	1,484,316.45	**8,514,426.30**
	Acquisitions	1,208,300.75	110,717.41	51,512.49	173,141.90	**1,543,672.55**
	Divestitures	4,341,135.53	7,253.52	2,352.50	0.00	**4,350,741.55**
	Balance 31.12.2019	2,790,154.70	378,794.40	880,949.85	1,657,458.35	**5,707,357.30**
Book value	Balance 01.01.2019	1,216,611.34	156,909.58	98,184.89	247,112.10,	**1,718,817.91**
	Balance 31.12.2019	1,074,212.24	64,688.59	74,795.15	73,970.20	**1,287,666.18**

Table 2
Fixed asset schedule

Provision

Under the PGR accounting rules, all provisions are reassessed each year, justified, and adjusted where necessary. The provisions include outstanding holiday entitlements as of 31 December 2018 in the amount of CHF 445,269. The provisions for litigation risks in the amount of CHF 50,000 were released due to legal expenses incurred.

Accounts payable

All accounts payable by the FMA have a maturity of less than one year.

Long-term liabilities

The FMA has a rental contract with the Liechtenstein Old Age and Survivors' Insurance Authority concluded in December 2010, with a rental term of 20 years. The annual rent amounts to approximately CHF 1,800,000 (including ancillary costs).

Remuneration of the Board of Directors and Members of the Executive Board (Article 1092(9)(a) PGR)

a) Board of Directors
Remuneration for the Board of Directors of the FMA in the 2019 fiscal year, including social security contributions, was CHF 677,207. The Board of Directors was composed as follows in 2019:

Board of Directors	Government resolution	Term of office
Roland Mueller (Chairman)	– LNR 2016-1635 BNR 2016/1674 REG 7402.2 of 16.11.2016 – LNR 2019-1356 BNR 2019/1388 REG 7428 of 22.10.2019	01.01.2017 – 31.12.2019 01.01.2020 – 31.12.2021
Michèle Borgeaud (Vice Chair)	– LNR 2016-1635 BNR 2016/1674 REG 7402.2 of 16.11.2016	01.01.2017 – 31.12.2021
Ivo Furrer	– LNR 2016-653 BNR 2016/663 REG 7428 of 10.05.2016	01.07.2016 – 30.06.2021
Michael Ritter	– LNR 2014-897 BNR 2014/841 REG 0660 of 01.07.2014	01.01.2015 – 31.12.2019
Juerg Meier	– LNR 2015-1185 BNR 2015/1727 REG 7402 of 16.12.2015	01.01.2016 – 31.12.2020

Table 3
Board of Directors

The remuneration of the Members of the Board of Directors is based on the Government decision of 31 January 2017 (LNR 2017-135 BNR 2017/101 REG 0314). The Government specified the following remuneration:

– Basic compensation for the Chairman
– Basic compensation for the Vice Chair
– Basic compensation for other Members
– Flat-rate compensation per meeting day

b) Executive Board
The gross remuneration of the Members of the Executive Board in the 2018 fiscal year was CHF 1,919,175 without social security contributions.

The Members of the Executive Board are appointed by the Board of Directors. The Executive Board was composed of the following members as of 31 December 2019:

– Mario Gassner, Chief Executive Officer
– Alexander Imhof, Deputy of the CEO and Head of Insurance and Pension Funds Division
– Marcel Loetscher, Head of Securities and Markets Division
– Patrick Bont, Head of Banking Division
– Werner Meyer, Head of Anti-Money Laundering and DNFBP Division
– Martin Schaedler, Head of Central Services

Workforce

In 2019, the average workforce at the FMA was 104 (previous year: 98). As of the end of December, the FMA employed 110 people (99). Five were employed on a temporary basis. The share of women was 44% (40%). 25 employees worked part-time (21). 11 employees left the FMA during the reporting year (8) and 17 new employees joined the FMA (11).

In total, 96.1 full-time equivalent positions (87.6) and 3.8 temporary positions (3.8) were filled at the end of 2019. The number of full-time equivalents approved by the Board of Directors as of the end of 2019 was 99 (92) and the number of temporary positions was 3.8 (3.8).

Audit firms / Reimbursements for audit firms

The "Audit firms" item in the amount of CHF 359,322 includes expenses in connection with due diligence audits of financial intermediaries, costs for extraordinary audits, and observer costs carried out by external audit firms. In return, these costs were invoiced to the financial intermediaries under the item "Reimbursements for audit firms" in the amount of CHF 356,953. The difference is due to the fact that the dissolution or bankruptcy of companies meant that not all expenses could be passed on.

Attestation of the Audit Office

FINANZKONTROLLE
FÜRSTENTUM LIECHTENSTEIN

Bericht der Finanzkontrolle an die Regierung des Fürstentums Liechtenstein betreffend

Finanzmarktaufsicht (FMA) Liechtenstein

Als Revisionsstelle im Sinne von Art. 19 des Gesetzes über die Finanzmarktaufsicht (FMAG) haben wir die Buchführung, die Jahresrechnung (Bilanz, Erfolgsrechnung und Anhang) und den Jahresbericht der Finanzmarktaufsicht (FMA) Liechtenstein für das am 31. Dezember 2019 abgeschlossene Geschäftsjahr geprüft.

Für die Jahresrechnung und den Jahresbericht ist der Aufsichtsrat verantwortlich, während unsere Aufgabe darin besteht, diese zu prüfen und zu beurteilen.

Unsere Prüfung erfolgte nach den Grundsätzen des Berufsstandes, wonach eine Prüfung so zu planen und durchzuführen ist, dass wesentliche Fehlaussagen in der Jahresrechnung mit angemessener Sicherheit erkannt werden. Wir prüften die Posten und Angaben der Jahresrechnung mittels Analysen und Erhebungen auf der Basis von Stichproben. Ferner beurteilten wir die Anwendung der massgebenden Rechnungslegungsgrundsätze, die wesentlichen Bewertungsentscheide sowie die Darstellung der Jahresrechnung als Ganzes. Wir sind der Auffassung, dass unsere Prüfung eine ausreichende Grundlage für unser Urteil bildet.

Gemäss unserer Beurteilung vermittelt die Jahresrechnung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage in Übereinstimmung mit dem liechtensteinischen Gesetz. Ferner entsprechen die Buchführung, die Jahresrechnung und der Jahresbericht dem liechtensteinischen Gesetz, dem Gesetz über die Finanzmarktaufsicht (FMAG) und den Statuten.

Der Jahresbericht steht im Einklang mit der Jahresrechnung.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

FINANZKONTROLLE
des Fürstentums Liechtenstein

Cornelia Lang *Leiterin*	F. Baschleben Fredy Baschleben *Mandatsleiter*

Vaduz, 26. März 2020

Colours, forms, and structures

Mushrooms, which belong to neither the plant nor the animal kingdom, are impressive with their variety of forms, structures, and colours. They occur in Liechtenstein in large numbers and many species throughout the Rhine Valley plain, on the Rhine Valley slopes, and in the Alpine region. The photographer has put mushrooms around the Wildschloss ruins in the best light; this is his métier and his art. The resulting photographs are expressive and graceful, with a beauty that almost makes you forget the object.

We would like to thank Peter Niederklopfer, Office of the Environment, and photographer Sven Beham, Liechtenstein National Museum, for their support in realising our image concept.

Cortinarius
in the Cortinariaceae family
It grows especially in coniferous forests, rarely in deciduous forests, on acid, sandy soil and in high moors, often in the company of blueberries.

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Photography
Portrait (Foreword): Roland Korner, Close up
Mushrooms: Photos, Sven D. Beham, Liechtenstein National Museum
In cooperation with Peter Niederklopfer, Office of the Environment/
Natural History Collection.

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

www.fma-li.li