



LIECHTENSTEINISCHER
BANKENVERBAND

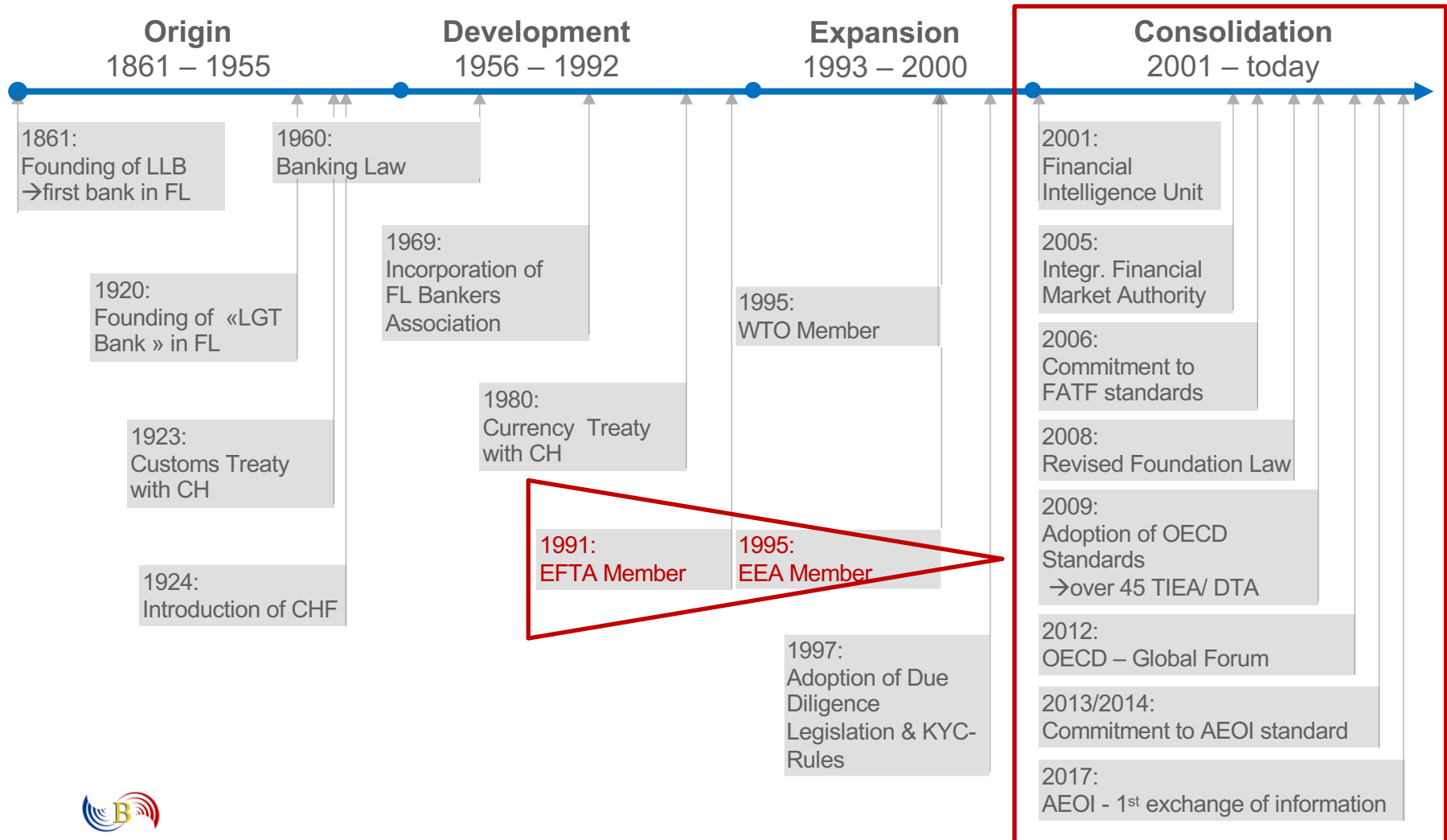
Market access: an industry perspective on financial services

experiences of the Liechtenstein banks

University of Bern, 26 October 2018
Simon Tribelhorn, CEO

FL as Financial and Banking Center

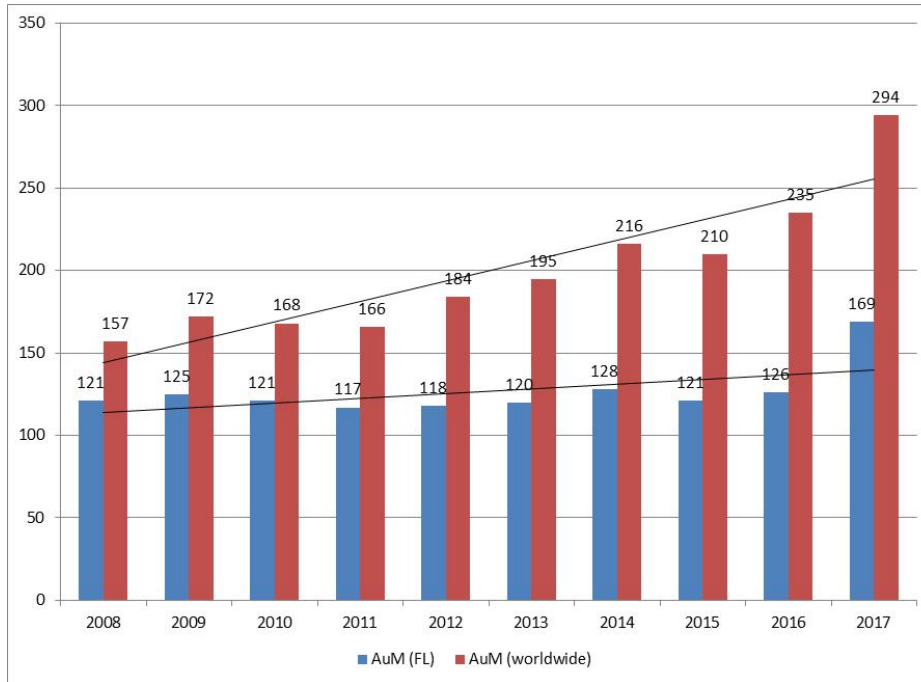
The EEA membership – one of the key milestones of Liechtenstein



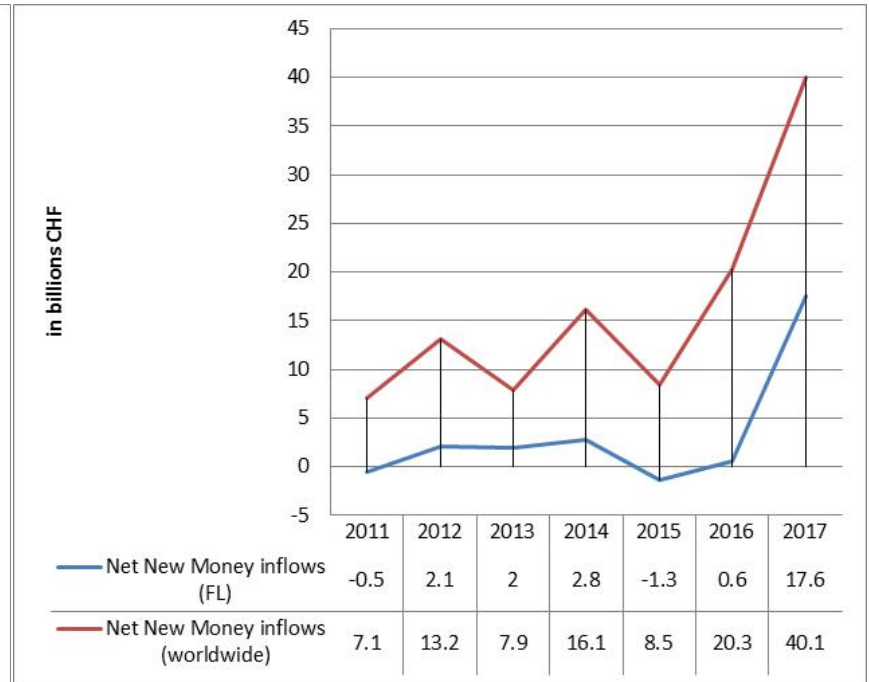
The development of the financial centre

before and after joining the EEA

Assets under Management (AuM) in billions CHF



Net New Money inflows in billions CHF



today (by the end of 2017):

- 14 licensed banks ≈ CHF169 bn AuM (cons. ≈ CHF 294 bn)
- high percentage and importance of cross border private banking
- whole financial sector accounts for approx. 30% of GDP and 16% of employees and generates about 30% to 40% of the state revenue



Access to the Single Market

How it works

- The EU passporting system for banks and financial services companies enables firms that are authorised in any EEA state to trade and provide services freely with minimal additional authorisation (based on a notification system)
 - by providing services directly in any other EEA state or
 - establishing a branch in any EEA state and offer the services from that branch.
- There are different passports that banks and financial services providers rely on in order to provide core banking services to businesses and customers across the EEA. No equivalence-regime is needed.



Impact and benefits

from a banking center's perspective

- **Access to the European Single Market** and 500 million potential customers:
Thanks to Liechtenstein's participation in the European single market, Liechtenstein banks enjoy full freedom of services throughout the entire European Economic Area (i.e. passporting rights included in different directives; level playing-field). This makes it possible to offer financial products and services from Liechtenstein that are authorized throughout the entire EU.
- **Equivalence with all other EU/EEA countries:**
The same legal requirements apply to banks in Liechtenstein as in all EU member states. In some cases, EEA specific adaptations to EU legislation are made with regard to the institutional framework of the EEA Agreement and transitional provisions for the application within the EEA.
- **Recognized financial market supervision:**
Liechtenstein's FMA is a full member of the EU supervisory authorities in financial services matters (EBA, ESMA and EIOPA).
- **Influencing the political dialogue:**
Liechtenstein banks can actively influence the policy dialogue on EEA level within the EEA bodies via EEA Coordnation Unit and also – to a limited extend – on EU level by participating in public consultations of the Commission and EU supervisory authorities (ESA's).



Impact and challenges

from a banking center's perspective

- **Regulatory burden:**

Since the same legal requirements apply to the Liechtenstein intermediaries, they have to implement all EU regulations

- quite a challenge to overcome the regulatory burden
- increased legal and compliance costs
- critical mass
- most EU legislation does not take into account national specificities (e.g. small home market, focus on cross-border banking)

- **Incorporation backlog:**

In the past 5 years, large changes in the EU regulatory environment for financial services & delayed incorporation of EEA-relevant legislation into the EEA-Agreement (approx. 300 legal acts outstanding) forced Liechtenstein to pre-implement the EU standards at a national level prior to the incorporation.

- **One Voice Principle:**

All of the EEA States must be in agreement before the EEA Joint Committee can take a decision. Even though this «One Voice Principle» does provide several advantages, it has – beside the quite complex incorporation process (including legal scrutiny by the EU and procedures for clarifying institutional requirements within the EEA States) – affected the backlog to a significant extend in the past.



Conclusions

in a nutshell

- The EEA can be referred to as success story for Liechtenstein and its banks. Liechtenstein banks and all other intermediaries **benefit a lot** from the access to the European Single Market.
- When becoming an EEA member a **growth phase** started for the Liechtenstein financial center:
 - number of banks has tripled with a steady growth of AuM
 - fund and insurance business was not existent before and has evolved only thereafter
 - financial center is an important pillar of Liechtensteins economy today
- However, **regulatory flood** as a consequence of the financial crisis became a huge challenge for a small country with small intermediaries and limited resources.
- **Lack of proportional regulation** and «one size fits all approach» is a problem for smaller institutions.
- Clear tendency towards full harmonisation (more and more direct applicable regulations instead of directives) → **to have a voice and to be listened to at EU level is more and more crucial as part of the integration.**



Thank you for your attention!

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Established in 1969, the Liechtenstein Bankers Association is the domestic and international voice of the banks operating in and out of Liechtenstein. It is one of the country's most significant associations and plays a key role in the successful development of the financial centre. Member interests are pursued in accordance with the principles of sustainability and credibility. As a member of the European Banking Federation (EBF), the European Payments Council (EPC), the European Parliamentary Financial Services Forum (EPFSF) and the Public Affairs Council (PAC), the Liechtenstein Bankers Association is a member of key committees at the European level and plays an active role in the European legislation process