



Liechtenstein Society of Investment Professionals

Factsheet

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September 2011



1. Liechtenstein Society of Investment Professionals

1.1. Features

- Founded in January 2006
- 15 founding members, 57 members as per September 30th, 2010
- No commercial business association according to Liechtenstein's institutional laws
- Currently not a recognized member society of CFA Institute but bylaws are in full compliance with CFA Institute requirements

1.2. Objectives

- Provide CFA Institute a body and voice in Liechtenstein and the Lake Constance area ("Representative Office" of CFA Institute in Liechtenstein)
- Network for LSIP members
- Transform into a recognized member society of CFA Institute ("Liechtenstein CFA Society") within 3 to 5 years
- Provide Professional Development offerings to its members and other local professionals
- Support CFA study program and CFA candidates
- Bridge the gap between Liechtenstein, the CFA Institute, and the neighboring CFA Societies: Swiss CFA Society, CFA Austria and German CFA Society
- Goal to reach over 100 members soonest

1.3. Memberships and Cooperation

- Currently, secondary membership for members of CFA Institute and any neighboring CFA Society
- Patronage Partnership for legal entities
- Cooperation with Liechtenstein University
- Introduction of the CFA Body of Knowledge and CFA professional development locally

1.4. Continuing Education

Various events focusing on continuous education in cooperation with the Liechtenstein University including After-Work Lectures and the Asset Management Course.

1.5. LSIP Board

- | | |
|--------------------------------|--|
| • President | Michael K. Frommelt, CFA, president@lsip.li |
| • Vice-President | Dr. Andreas Hueber, CFA, vicepresident@lsip.li |
| • Treasurer | Martin Zimmermann, treasurer@lsip.li |
| • Secretary | Michael Frei, CFA, secretary@lsip.li |
| • Public Awareness Officer | Katrin Eggenberger, paofficer@lsip.li |
| • Advocacy Officer | Timothy Keilbar, CFA, advocacyofficer@lsip.li |
| • Continuing Education Officer | Marcel Vaschauner, ceofficer@lsip.li |

1.6. LSIP Platinum Sponsors

**Truus und Gerrit
van Riemsdijk Stiftung**



1.7. LSIP Gold Sponsors



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2. Chartered Financial Analyst (CFA) Designation

Chartered Financial Analyst (CFA) is an international professional designation offered by the CFA Institute of the United States of America (formerly known as AIMR) to financial analysts who complete a series of three examinations. Candidates must have a bachelor's degree (or equivalent), be in the final year of their bachelor's degree program, or have at least four years of qualified, professional work experience in order to take the exams. In order to become a "CFA Charterholder" candidates must pass all three exams, agree to comply with the code of ethics, pay member dues, and have four years of work experience deemed acceptable by the CFA Institute. CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

The CFA designation is a qualification for finance and investment professionals, particularly in the fields of investment management, investment banking and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance.

From 1963 (when the CFA designation was first awarded) to 2007, more than 79,000 people from at least 126 different countries have been awarded the right to use the CFA designation, 69,000 of them in the years since 1990. As of 2008, more than 165,000 more people are currently enrolled to take one of the examinations.

3. Features

3.1. Location-specific advantages of Liechtenstein

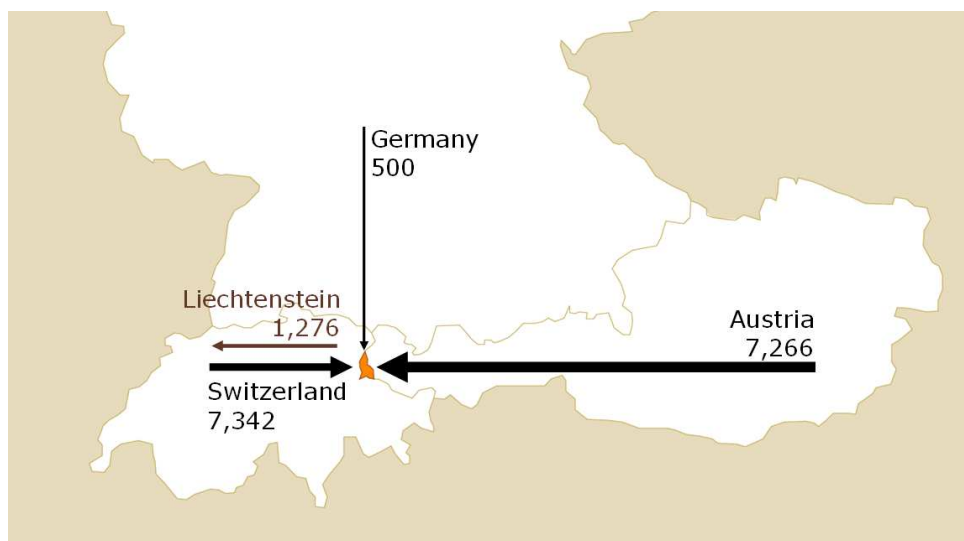
- Stable legal and economic system
- Liberal economic policy
- Solid fiscal policy
- Powerful banking industry and legally regulated banking secrecy
- Liberal corporate law (foundations, trusts)
- Advantageous investment conditions
- High degree of political continuity and stability
- Liberal tax laws with privileges for established holding entities
- Well-developed, modern infrastructure
- Short, uncomplicated official channels
- Customs and currency union with Switzerland based on various Bilateral agreements
- EEA membership
- Schengen Agreement (personal freedom of movement without border controls) to be signed within due course
- AAA country rating by Moody's and Standard & Poor's

3.2. Special characteristics of Liechtenstein despite EEA membership

- Close relationship with Switzerland and open borders
- Swiss franc as legal tender
- Low tax rates on holding and domiciliary entities
- Strict customer secrecy for clients
- Special corporate forms within Liechtenstein
- EU-standardized regulations



3.3. Attractive economic location: commuters from neighboring countries



3.4. Embedded in European integration

LI	EEA +
CH	Bilateral agreements
Yet	Open borders

EEA + customs agreement = more liberalization & access to EU

4. Liechtenstein as a financial center

4.1. Liechtenstein financial center - facts and figures

- 17 licensed banks
- Client assets under management: around CHF 168.1 billion by the end of 2010
- Market share according to total balance sheet: approximately 90% represented by three major banks
- Financial services account for around 30% of GDP

17 banks were licensed at the end of 2010. Of these, 7 banks were subsidiaries of Swiss or Austrian institutions. The banks play a major role in the Liechtenstein financial center. Their activities focus on private banking and wealth management. Thanks to Liechtenstein's membership in the European single market, the banks have full freedom of movement in all EEA states. Several banks are also active outside Europe, especially in Asia, with representative offices or subsidiaries.

4.2. Liechtenstein's financial industry - today

Battle against money laundering, organized crime and the financing of terrorism; international standards in legislation and implementation of law.

Professional associations are committed to:

- Maintain the standards
- Viable regulatory concentration
- Intensified international cooperation
- Stability



LIECHTENSTEIN
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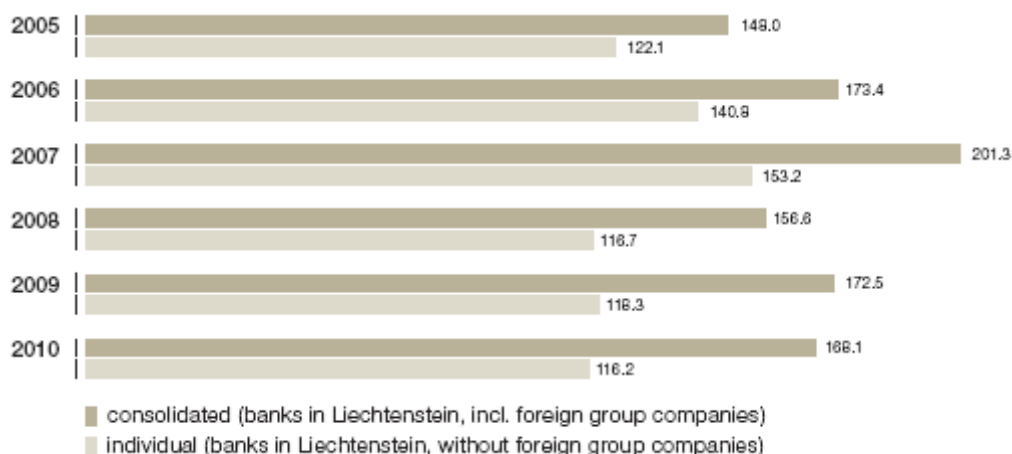


Table 1: Client assets under management as of 31 December 2010
(Source: http://www.fma-li.li/file/FMA-Facts_Figures_2011.pdf)

In this challenging environment, the Liechtenstein financial market has asserted itself well and is stable. At the end of 2010, the Liechtenstein banks, including foreign group companies, managed client assets in the amount of CHF 168.1 billion. Compared with the previous year, this is a decline of 2.5%. The decline is primarily due to the strong franc. Since mid-2010, there has been a turnaround in the direction of increased inflows of new assets. The net inflow of new assets was CHF 5.8 billion. Insurers have again taken in more premiums. Premium income of the insurance undertakings in 2010 rose by 7% to CHF 9.42 billion. Life insurers were responsible for CHF 8.86 billion. The capital investments of insurance undertakings amounted to CHF 29.5 billion at the end of 2010 (2009: CHF 29.4 billion). And also in the fund sector, the assets under management increased slightly. Only minor changes have been noted regarding the number of financial market participants.

In numerous ways, the year 2010 was a challenging year for Liechtenstein banks, but the worst now seems to be over. While a difficult situation in terms of client assets under management was observed in the first half of 2010, these assets visibly improved over the course of the rest of the year. Especially banking groups were generally able to benefit from this positive development earlier on thanks to their foreign branches. The leading Liechtenstein banking groups have expanded their presence abroad in recent years in order to open up areas of growth.

These developments cannot conceal the fact that the Liechtenstein financial market is facing great challenges. The financial crisis has triggered a major thrust in regulation at the international level. At the same time, regulation of the financial markets is being harmonized, so that the regulatory differentials between countries are declining. It is thus becoming more difficult to occupy niches based on those differentials. The financial market players must prepare themselves for these new conditions. Factors such as financial market stability, political stability, healthy public finances, high quality of services, and security are becoming increasingly important in the prevailing environment. Liechtenstein's financial center thus has good prerequisites to remain successful in the future.



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Financial market participants under the supervision of the FMA as of 31 December 2010:

	2004	2005	2006	2007	2008	2009	2010	+/-
Banks/Investment firms/Liechtenstein Postal Service								
Banks	16	16	16	16	15	16	17	1
Investment firms (from 1.11.2007)	-	-	-	0	0	0	0	0
Payment institutions (from 1.11.2009)	-	-	-	-	-	-	0	0
Liechtenstein Postal Service	1	1	1	1	1	1	1	0
Audit offices pursuant to the Banking Act	9	9	9	10	8	8	8	0
Asset management companies								
Asset management companies (from 1.1.2006)	-	-	48	90	102	102	107	5
Investment undertakings								
Active management companies	-	-	28	27	28	27	24	-3
of which fund managements			19	20	21	21	21	
of which investment companies			9	7	7	6	3	
Domestic investment undertakings	141	166	208	303	384	411	469	58
of which segmented	42	45	48	59	67	78	91	
with a total of segments (individual funds)	141	156	179	224	252	285	315	
Foreign investment undertakings	208	239 ¹⁾	137	136	112	95	82	-13
of which segmented	52	56	13	18	19	22	20	
with a total of segments (individual funds)	580	659	48	89	92	98	114	
Audit offices pursuant to the IUA	9	10	10	10	10	11	11	0
Entitled to market units pursuant to the IUA (from 1.9.2005)	-	-	6	8	11	12	14	2
Insurance undertakings								
Insurance companies domiciled in Liechtenstein	28	32	35	37	42	41	40	-1
Audit offices pursuant to the ISA	10	10	10	9	9	9	10	1
Insurance intermediaries								
Insurance intermediaries (from 1.7.2006)	-	-	3	35	64	70	71	1
Pension schemes								
Pension schemes	40	41	39	36	34	33	33	0
Audit offices pursuant to the OPA	-	-	0	12	12	13	14	1
Pension insurance experts pursuant to the OPA	-	-	0	10	13	13	14	1
Pension funds								
Pension funds	-	-	0	2	4	5	5	0
Other financial intermediaries								
Professional trustees	82	86	84	88	85	83	77	-6
Professional trustees with restricted license	23	27	27	27	28	26	23	-3
Trust companies	284	295	277	257	260	262	264	2
Trust companies with restricted license	10	13	15	17	19	24	28	4
Auditors	23	24	24	23	23	24	25	1
Auditing companies	28	26	25	24	26	26	26	0
Lawyers	110	116	124	128	133	147	150	3
Liechtenstein lawyers eligible for registration	48	55	55	63	64	60	66	6
European lawyers established in Liechtenstein	18	18	19	20	27	25	25	0
Law firms	27	28	26	25	26	28	28	0
Branches of law firms	-	1	0	0	1	1	1	0
Apprentice lawyers	58	64	71	65	71	66	67	1
Legal agents	5	5	5	5	5	5	4	-1
Patent lawyers	12	13	13	10	10	10	9	-1
Patent law firms	5	5	4	4	4	3	3	0
Persons with a certification under article 180a PGR ²⁾	438	461	495	505	513	532	546	14
Exchange offices ³⁾	1	1	2	2	0	0	0	0
Real estate brokers ¹⁾	*	16	18	18	21	24	25	1
Dealers in goods ³⁾	*	17	37	38	39	42	42	0
Casinos	*	0	0	0	0	0	0	0
Other persons subject to due diligence ³⁾	*	21	27	28	30	32	35	3
TOTAL (including double counts)	1634	1816	1898	2089	2214	2287	2364	77

Table 2: Financial market participants under the supervision of the FMA as of 31 December 2010
(Source: http://www.fma-li.li/file/Annual_Report_2010_of_FMA_Liechtenstein.pdf)



Foreign financial market participants under the supervision of the FMA engaging in free movement of services as of 31 December 2010:

	2004	2005	2006	2007	2008	2009	2010	+/-
Banks/Investment firms								
Free movement of services of EEA banks	72	88	108	141	171	179	187	8
Free movement of services of EEA investment firms	653	737	840	1049	1624	1699	1787	88
Free movement of services of EEA payment institutions	0	0	0	0	0	0	31	31
Branches of EEA investment firms	0	1	1	1	1	0	0	0
Free movement of services of e-money institutions	-	-	-	5	7	7	7	0
Free movement of services of multilateral trading systems (from 1.11.2007)	-	-	-	2	2	2	2	0
Insurance undertakings								
Free movement of services of EEA and Swiss undertakings	201	225	240	271	346	375	229	-146
Branches of Swiss undertakings	26	23	26	25	25	22	34	12
Branches of EEA undertakings	1	1	1	1	1	1	1	0
Management companies and investment undertakings								
Free movement of services of EEA management companies	-	-	1	3	4	5	8	1
Free movement of services of EEA investment undertakings	-	-	103	110	107	95	111	16
of which segmented	-	-	42	49	52	53	60	
with a total of segments (individual funds)	-	-	694	773	793	841	965	
Branches of EEA management companies	-	-	0	0	0	0	1	1
Other financial intermediaries								
Auditors engaging in free movement of services	-	2	3	5	5	5	6	0
Auditing companies engaging in free movement of services	18	20	21	21	21	23	22	1
TOTAL	971	1097	1344	1634	2314	2413	2160	11

Table 3: Foreign financial market participants under the supervision of the FMA engaging in free movement of services as of 31 December 2010

(Source: http://www.fma.li/file/Annual_Report_2010_of_FMA_Liechtenstein.pdf)

4.3. Regulatory developments - UCITS and AIFM

In July 2009, the EU Commission adopted the UCITS Directive 2009 / 65 / EC (UCITS stands for undertakings for collective investment in transferable securities, which generally is equivalent to an "investment fund"). The UCITS Directive is intended to improve the EU legal framework for investment funds by eliminating bureaucratic obstacles in the cross-border movement of services, by permitting more flexible structures, and by achieving standardization of the most important information for investors. Under the new directive, a greater spectrum of investment funds with more transparent structures and lower management costs are expected to be offered to investors.

In parallel with the UCITS Directive, the directive on alternative investment fund managers (AIFM Directive) was developed. The AIFM Directive aims to regulate financial actors that previously had been subject to no or only little regulation (alternative investment fund managers) such as hedge fund managers or private equity managers. Additionally, the AIFM Directive aims to establish harmonized regulatory standards for managers and for the funds they manage as well as to improve transparency vis-à-vis investors and supervision.

Within the framework of the Government's fund center project and the changing regulatory conditions, Liechtenstein is currently revising its Investment Undertakings Act (IUA). The IUA will be split up into two laws, the UCITS Act and the AIFM Act. The UCITS Act is scheduled to enter into force on 1 August 2011. Due to delays on the EU side, the AIFM Act will enter into force at a later date.



5. Links and Source

Liechtenstein Society of Investment Professionals (LSIP):

<http://www.cfa.li/>

CFA Institute:

<http://www.CFA Instituteninstitute.org/>

Code of Ethics:

<http://www.CFA Instituteninstitute.org/centre/codes/ethics/>

Financial Market Authority (FMA) Liechtenstein:

<http://www.fma-li.li/>

The Principality of Liechtenstein:

<http://www.liechtenstein.li/en/>

Liechtenstein History:

http://www.liechtenstein.li/en/liechtenstein_main_sites/portal_fuerstentum_liechtenstein/fl-lik-liechtenstein_in_kuerze/fl-lik-geschichte.htm

Liechtenstein University:

<http://www.uni.li/>