AUSTRIAN FMA · FINANCIAL MARKET AUTHORITY

2021

ANNUAL REPORT OF THE FINANCIAL MARKET AUTHORITY

Key figures of the Austrian financial sector 2017–2021

	2017	2018	2019	2020	2021 (prov.)
BANKING SECTOR					
Capital base[1]:					
Common Equity Tier 1 (in € billions)	70.0	71.7	75.8	77.5	80.9
Tier 1 capital (in € billions)	71.5	74.6	79.3	82.9	86.4
Common Equity Tier 1 capital ratio (CET 1, in %)	15.6	15.4	15.6	16.1	15.7
Tier 1 capital ratio (in %)	15.9	16.0	16.3	17.2	16.8
Solvency ratio (in %)	18.9	18.6	18.7	19.5	18.9
Leverage ratio (in %)	7.7	7.4	7.5	7.3	7.6
Liquidity coverage ratio (LCR, in %)	148.8	150.6	148.7	178.9	164.2
Development of assets and liabilities (non-consolidated, in € millions):					
Total assets[1]	777 213	814 606	839 852	934 496	991 994
Claims on credit institutions	163 319	167 952	171 530	182 664	170 755
Claims on non-banks	418 645	445 510	466 757	482 505	517 423
Debt securities and other fixed-income securities	40 236	43 330	45 733	45 798	42 339
Shares and other variable-yield securities	10 095	10 000	10 540	10 094	9 965
Other assets	144 918	147 814	145 292	213 434	251 511
Liabilities to credit institutions	157 028	160 744	155 739	210 971	233 663
Liabilities to non-banks	390 407	414 379	430 436	463 095	488 997
Securitised liabilities	114 009	123 317	132 916	136 341	139 848
Other liability items	115 769	116 166	120 761	124 089	129 487
Sustainability of business activity (non-consolidated):					
Loan-to-deposit ratio (non-banks, in %)	107.2	107.5	108.8	96.0	94.7
Foreign currency loans (as % of loans to households)	10.9	9.5	8.3	6.8	5.5
Non-performing and irrecoverable loans (as % of total loans)	2.5	2.0	1.8	1.5	1.35
Earnings situation (non-consolidated, in € millions)[1]:					
Net interest income	7 885	8 290	8 280	8 330	8 609
Operating income	18 848	18 646	18 801	18 259	19 926
Operating expenses	12 454	12 644	13 652	12 819	13 407
Operating result	6 394	6 003	5 150	5 439	6 519
Cost-income ratio (in %)	66,08	67,81	72,61	70,21	67,29
Market shares of banks (as % of total assets):					
Joint stock banks	28.4	26.9	26.3	26.7	26.7
Savings banks	19.6	20.3	20.3	20.8	21.6
Mortgage banks	6.7	6.6	6.4	6.4	5.5
Raiffeisen cooperatives	32.8	33.6	34.8	34.5	35.2
Volksbank cooperatives	4.0	4.0	3.9	3.7	3.7
Building societies	2.9	2.7	2..6	2.3	2.1
Special-purpose banks[2]	5.6	5.9	5.7	6.1	5.2

[1] Excluding branches from EEA countries in Austria (Article 9 BWG), credit guarantee banks and corporate provision funds.
[2] Excluding corporate provision funds and credit guarantee banks as specified in Article 5 no. 3 KStG.

Key figures of the Austrian financial sector 2017–2021

	2017	2018	2019	2020	2021 (prov.)
INSURANCE SECTOR					
Premiums written in Austria (direct gross amount, in € millions)	18 118	18 500	18 789	19 109	19 764
– *Life insurance*	*5 782*	*5 574*	*5 424*	*5 360*	*5 390*
– *Health insurance*	*2 139*	*2 230*	*2 340*	*2 433*	*2 541*
– *Non-life and accident insurance*	*10 197*	*10 697*	*11 026*	*11 316*	*11 833*
Technical account balance	581	506	618	554	766
Financial result	2 814	2 528	3 118	1 771	3 082
Result from ordinary activities	1 243	1 167	1 693	744	1 942
PENSIONSKASSEN					
Assets under management (in € millions)	22 323	21 404	24 295	24 969	26 976
Investment performance (in %)	6.1	–5.1	11.6	2.5	7.7
CORPORATE PROVISION FUNDS					
Assets under management (in € millions)	10 610	11 496	13 304	14 489	16 524
Performance (in %)	2.2	–2.0	5.7	1.4	4.1
INVESTMENT FUNDS					
Assets under management (in € millions)	175 435	164 561	184 894	191 894	218 816
– *Money market funds*	*54*	*32*	–	–	–
– *Short-term bond funds*	*6 890*	*6 231*	*5 990*	*5 777*	*6 069*
– *Bond funds*	*64 008*	*60 047*	*62 072*	*62 282*	*62 440*
– *Equity funds*	*28 394*	*25 890*	*32 954*	*33 721*	*44 086*
– *Mixed funds*	*75 817*	*72 112*	*83 548*	*89 865*	*105 881*
– *Hedge funds of funds*	*148*	*136*	*137*	*82*	*134*
– *Derivative funds*	*127*	*112*	*195*	*167*	*207*
Annual net growth/net outflows	5 058	4 167	3 587	5 973	14 219
Real estate funds	7 471	8 341	9 185	9 634	10 743
Alternative investment funds by AIFMs licensed or registered pursuant to the AIFMG only	886	865	923	974	1 100
CAPITAL MARKET					
ATX at year-end	3 420	2 746	3 187	2 780	7 849
ATX performance (in %)	30.6	–19.7	16.1	–12.8	43.6
Market capitalisation (in € millions)	123 799	100 333	117 085	106 607	142 177
Market capitalisation equity segment (as % of GDP)	33.5	26.0	29.5	28.1	35.3
Sales equity segment (in € millions, double counting)	66 709	70 409	61 960	68 783	73 320
Sales bond segment (in € millions)	277	635	659	665	522
Sales structured products.at (in € millions)	554	744	733	863	808
Average government bond yields weighted by outstanding amounts (in %, year-end)	0.16	0.25	–0.17	–0.46	–0.20[3]
Number of issuers (regulated market)	118	112	115	112	111

[3] As at 31 December 2021.

Key figures FMA 2017–2021

	2017	2018	2019	2019	2021
INCOME[4] (in € thousands):					
Federal contribution	4 000	4 000	4 000	4 167	4 500
Income from entities liable to pay costs	57 647	60 058	62 395	62 773	60 803
Income from fees, other income	4 751	5 246	5 892	5 729	9 278
Total	**66 398**	**69 304**	**72 287**	**72 669**	**74 582**
EXPENSES* (in € thousands):					
Personnel expenses	41 275	43 719	45 469	47 214	48 112
Material expenses	23 186	23 873	24 910	23 876	24 409
Depreciation and amortisation, other expenses	1 937	1 712	1 908	1 578	2 061
Total	**66 398**	**69 304**	**72 287**	**72 669**	**74 582**
EMPLOYEES					
Employees at year-end in FTEs	380.03	379.34	381.01	384.89	389.99

[4] Figures without special effects owing to Asset Quality Review 2015 and reimbursement of costs pursuant to Article 74 para. 5 no. 2 BaSAG.

Supervised companies 2017–2021

	2017	2018	2019	2020	2021
CREDIT INSTITUTIONS					
Joint stock banks	43	42	41	37	35
Special-purpose banks[5]	68	61	59	58	57
Savings banks	49	49	49	49	49
Raiffeisen cooperatives	419	399	380	354	338
Volksbank cooperatives	14	9	9	9	9
Mortgage banks	9	8	8	8	6
Building societies	4	4	4	4	4
EU branches	27	25	22	24	23
Total	**628**	**597**	**572**	**543**	**521**
Payment institutions	4	5	5	6	7
INSURANCE UNDERTAKINGS					
Mutual associations (excluding small mutuals)	7	6	6	6	6
Joint stock companies	30	29	29	28	28
Small mutual associations	49	49	47	45	44
Total	**86**	**84**	**82**	**79**	**78**
EEA insurers in Austria (operating through branches)	29	30	29	28	28
Mutual associations dealing in asset management/private foundations	6	6	6	6	6
Business areas:					
Life	23	22	22	22	22
Non-life and accident	32	30	30	29	28
Health	9	9	9	10	10
Reinsurance only	2	1	1	1	1
PENSIONSKASSEN	10	9	8	8	8
CORPORATE PROVISION FUNDS	8	8	8	8	8
ASSET MANAGERS					
Investment fund management companies pursuant to InvFG	18	16	14	14	14
Licensed AIFMs	25	23	23	23	22
– Real estate investment fund management companies purs. to ImmoInvFG	*5*	*5*	*5*	*5*	*5*
Registered AIFMs	24	27	28	31	34
– EuVECA managers	*6*	*7*	*9*	*10*	*12*
INVESTMENT SERVICE PROVIDERS					
Investment firms	60	61	65	64	64
Investment service providers	51	45	43	48	47
Total	**111**	**106**	**108**	**112**	**111**

[5] Including special-purpose banks, investment fund management companies, corporate provision funds, and exchange offices/remittance services.

FINANCIAL MARKET AUTHORITY ANNUAL REPORT 2021

PURSUANT TO ARTICLE 16 PARA. 3 FMABG

THE FMA

is Austria's independent, autonomous and integrated supervisory and resolution authority. As an integrated authority our overall perspective of the Austrian financial market enables us to conduct consistent and efficient supervision. We are part of the European System of Financial Supervisors (ESFS) and actively contribute with expertise and practical experience.
With competence, control and consistency, we pursue the aims of contributing towards the stability of Austria as a financial market and reinforcing confidence in the ability of the Austrian financial market to function, while acting in a preventive manner with respect to compliance with supervisory standards, and also protecting investors, creditors and consumers alike.

COMPETENCE

We use a risk-based and solution-oriented approach to address complex issues and apply our knowledge in a target-oriented manner in the interest of integrated supervision. Furthermore, we create a positive and constructive working environment and constantly invest in training and further education. We base our actions on the principles of objectivity and independence, and excel as a result of our commitment to act both quickly and appropriately in a constantly changing environment.

CONTROL

We monitor the Austrian financial market and ensure compliance with regulatory requirements. We fulfil our mandate responsibly, safe in the knowledge of the significance of our work for financial market stability. At the same time we act in a preventive manner and conduct constructive dialogue with market participants.

CONSISTENCY

We demand that all market participants conduct their business in a law-abiding manner, and work towards necessary and sustainable behavioural change. In the event that breaches of legal provisions nevertheless occur, we deploy the supervisory tools and resolution actions that are at our disposal. Violations are punished consistently.

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FINANCE MINISTER'S FOREWORD

LADIES AND GENTLEMEN

Another year filled with challenges and new developments in the pandemic lies behind us. Almost two years of COVID-19 have taken a heavy toll, and the policy-makers are continuing to focus their efforts on fighting the virus and combating the economic fall-out. At the start of the pandemic, the Federal Government resolved to do everything within its power to protect people's health, businesses and jobs. We are consistently pursuing this clear path and, as the Republic of Austria, are also making the necessary investments.

We also need to allocate resources to cushioning the impacts of the war in Ukraine. Rising inflation and the cost of living crisis, fuelled in particular by high energy prices, pose huge challenges. But our foremost goal must be to end the war in Ukraine and ease the Ukrainian population's suffering.

Having a professional financial market supervisory authority is even more important in such challenging times. Although the pandemic has once again presented you, the staff of the Financial Market Authority, with great challenges over the past year, you have performed your duties with your customary expertise and dedication. I would like to take this opportunity to thank you all and express my appreciation for your work. You not only ensure that the FMA's core tasks are performed but also make an important contribution to many initiatives that will shape our future.

DIGITALISATION AND IT SECURITY

Digitalisation is a particularly formative development that is transforming and will continue to transform our economy and with it our financial system. FinTechs, cryptoassets and other digital innovations offer alternatives to traditional financial transactions, not least thanks to their user-friendly technologies and applications, but they will also have a lasting impact on the IT structures of financial service providers. Such changes bring both opportunities and risks, creating huge challenges for supervisory authorities. It is therefore important to ensure, through regulation, that these risks are effectively addressed, while at the same time creating an environment that is conducive to the digital revolution. The European Commission's digital finance package adopted in September 2020 addresses this area of tension, aiming to boost innovation and the competitiveness of the financial sector, guarantee consumer protection and provide modern payment solutions. The package also contains proposals on how to ensure digital operational security. As cyber attacks become more frequent and more sophisticated in our increasingly digital world, we must work to ensure the financial sector's resilience to the disruptions and threats associated with information and communication technologies. IT security will also be one of the FMA's supervision priorities in 2022.

CLIMATE-FRIENDLY AND ECOLOGICALLY SUSTAINABLE FINANCIAL SECTOR

In 2021 the Austrian financial sector's compliance with the climate goals of the Paris Agreement was measured for the first time in the context of the Paris Agreement Capital Transition Assessment (PACTA). The evaluation shows that participating financial institutions are very aware of the issue of climate change. However, it is also clear that these institutions must take action to align their portfolios with the Paris climate goals. A future-proof financial market policy will support the financial sector in this effort and, at the same time, help Austria to position itself internationally as a sustainable financial centre.

At a national level, the Federal Government has been working on Austria's Green Finance Agenda, which has been drawn up with the support of key stakeholders and the FMA. This Agenda charts a course towards a climate-friendly, ecologically sustainable financial sector, identifying strategic measures and fields of action for a scaling of innovative financial instruments for climate-friendly investments.

BETTER FINANCIAL EDUCATION FOR AUSTRIA'S CITIZENS

The sustained period of low interest rates has had a strong impact on the private pension sector and the Austrian and European capital markets. At the same time, the digital transformation is responsible for sweeping changes in the financial markets, filling them with increasingly complex financial products. Against this background and given the number of cases of financial fraud, there is a powerful argument that having a solid level of basic financial knowledge is now more important than ever before. This is why the National Financial Literacy Strategy for Austria was adopted in autumn 2021, systematically defining common goals and measures in the area of financial education for the first time.

The FMA is already making a valuable contribution in the area of financial education, especially with regard to consumer information. We are therefore all the more pleased to have the FMA on board as an experienced and strong partner within the framework of the National Financial Literacy Strategy.

These projects alone highlight one important fact, namely that the FMA is a reliable partner even in challenging times. All the more reason why I look forward to continuing to work with you, both in the ongoing efforts to deal with the pandemic and in our joint work to guarantee and develop the basis for a secure and attractive financial centre in Austria.

Best regards

MAGNUS BRUNNER

EXECUTIVE DIRECTORS' FOREWORD

LADIES AND GENTLEMEN

We are living in exceptionally uncertain times, and that uncertainty was all too evident during the reporting year. The shock of the pandemic in 2020 gave way to notes of optimism in the first half of 2021. There was indeed good reason to be hopeful: effective COVID-19 vaccines were quickly developed and billions of doses administered worldwide as part of huge vaccination campaigns, and we saw the first signs of a strong, broadly based economic upturn. By the middle of 2021, economic strength had already returned to pre-crisis levels, and the economic and political debates were now focusing on something other than coronavirus, namely how quickly and powerfully the massive investment programmes targeting digitalisation, the fight against climate change and the transition of the economy towards more sustainability would restore Europe's leading position globally.

EXCEPTIONALLY UNCERTAIN TIMES

But by the end of the year, things suddenly looked very different again, with dark storm clouds looming once more. We faced vaccine scepticism, new mutations of the virus and new waves of infection. While we have now learned how to cope better with the social and economic consequences of the pandemic, we were unable to get the disruptions to the global economy under control. There have been ongoing problems with global supply chains, a shortage of computer chips and materials in many sectors of the economy, spiralling commodity and energy prices, and a sharp rise in inflation that has called into question the prevailing monetary policy paradigm focussing on the pandemic. All of this has triggered renewed uncertainty and bewilderment.

And now we face a new watershed with Russia's war of aggression against neighbouring Ukraine, which has destroyed the European peace order established since the Second World War and thrown up entirely new challenges for the economy in the form of escalating sanctions.

Such times of great uncertainty also create huge challenges for regulators and supervisors.

WATERSHED MOMENT

The economic consequences of the COVID-19 pandemic show that we learned the right lessons from the global financial crisis. We refer to the harmonisation of regulation in the European single market, closing regulatory gaps, the Europeanisation of supervision, but above all bolstering the resilience of markets and individual companies. And we have been successful. Financial service providers were not part of the problem during the COVID-19 crisis, they were part of the solution. They were able to actively support the public sector with bold measures to give the real economy a helping hand. In this way, they themselves have helped make sure that the pandemic, and its impact on the real economy, did not infect the financial sector too.

FORWARD-LOOKING SUPERVISORY STRATEGY FOCUSED ON RESILIENCE AND STABILITY

Learning the lessons of the global financial crisis, we also imposed a sustainability package on the Austrian banks with large-scale operations in the countries of Central, Eastern and South-Eastern Europe, forcing them to finance their subsidiary banks in those states from the respective local market in order to contain potential contagion effects in a crisis. This, too, has been successful, as demonstrated by the resilience of Austrian CESEE banks to the huge distortions caused by the war in Ukraine.

We will persist in our pursuit of a forward-looking supervisory policy that is centred on resilience and stability. After all, we can never exclude the possibility of another crisis, as so dramatically demonstrated by current events. We must be prepared for the unimaginable. We cannot rely on the certainties of today. Tomorrow might look very different.

THANKS TO OUR PARTNERS AND EMPLOYEES

We can only follow this successful path thanks to our trusting, unconditional and close working relationship with our partners in regulation and supervision, particularly the Federal Ministry of Finance and Oesterreichische Nationalbank, which are owed our thanks and recognition.

As an expert organisation, a supervisory authority is nothing without the expertise and dedication of its staff. We are justifiably very proud of our highly qualified and exceptionally dedicated colleagues. Without their expertise and commitment, we would not have made such progress together in strengthening the resilience of companies and the financial centre’s ability to withstand a crisis, and in supporting Austria’s ability to innovate and compete as a business location. Our special thanks go to them all.

However, we are once again living in exceptionally difficult and challenging times. We must ensure that the financial sector also manages to be on the right side of the watershed, that the financial sector also plays its part in fighting climate change and achieving greater sustainability, that the financial sector is also the driving force behind digitalisation, innovation and progress. Let’s tackle these challenges, together and with all our might!

EDUARD MÜLLER and HELMUT ETTL

2021 AT A GLANCE

FINANCIAL MARKET AUSTRIA

938 supervised companies **€ 1 383 billion** assets under management

498 BANKS
- **€ 992 billion** total assets
- **338** Raiffeisen cooperatives, **57** special-purpose banks, **49** savings banks, **35** joint stock banks, **9** Volksbank cooperatives, **6** mortgage banks, **4** building societies
- **23** EEA branches
- **7** payment institutions
- **82** notified EEA credit institutions

8 CORPORATE PROVISION FUNDS
- **€ 16.5 billion** assets under management
- **+4.1%** investment performance 2021
- **€ 725 million** disposal options 2021

78 INSURANCE UNDERTAKINGS
(44 of which small mutuals)
- **€ 117 billion** assets under management
- **28** EEA insurers, **1** third-country insurer
- **€ 19.8 billion** premiums written in Austria

57 ASSET MANAGERS
- **14** KAG, **5** Immo-KAG, **4** licensed-only AIFMs, **34** registered AIFMs
- **2 055** domestic investment funds (903 UCITS, 1 152 AIFs)
- **9 744** authorised foreign investment funds (7 714 UCITS, 2 030 AIFs)

8 *PENSIONSKASSEN*
- **€ 27 billion** assets under management
- **1 million** beneficiaries – every fourth employed person
- **12.6%** already drawing a *Pensionskassen* pension
- **+7.7%** investment performance 2021 (+5% on average over past ten years)

126 INVESTMENT SERVICE PROVIDERS
- **64** investment firms, **47** investment service providers, **3** AIFMs, **8** investment fund management companies, **4** insurers
- **20%** investment advice, **11.6%** portfolio management, **68.4%** transmission of orders

CAPITAL MARKET AUSTRIA

€ 142 billion market capitalisation **+43.6%** performance 2021 (ATX total return)

VIENNA STOCK EXCHANGE
- **19 848** traded financial instruments
- **111** issuers
- **€ 1 403 billion** trading volume (€ 73 billion shares, € 522 billion bonds, € 808 billion structured products)
- **60 million** transaction reports (18 million Austrian, 42 million TREM)

SUPERVISORY ACTIVITY
- **147** investigations into market abuse
- **421** ad hoc reports
- **910** directors' dealing reports
- **314** periodic disclosure reports
- **63** approved prospectuses

THE FMA IN 2021

JANUARY
- **20. 1.** Consumer information series "Let's talk about money" launched
- **21. 1.** First FinTech in regulatory sandbox

FEBRUARY
- **18. 2.** FMA reports surge in whistleblower reports, more than half related to cryptoassets
- **26. 2.** Helmut Ettl elected to EBA Management Board

MARCH
- **15. 3.** Strong customer authentication with card payments introduced

APRIL
- **27. 4.** FMA warns of "greenwashed" financial and investment products

MAY
- **11. 5.** FMA presents Annual Report 2020
- **18. 5.** FMA market analysis on investment firms: € 51 billion customer assets, focus on institutional investors

JUNE
- **14. 6.** FMA warns of fraudsters posing as FMA employees

THE FMA

2002: **660** pages of laws under its remit ⟶ 2021: **7 040** pages of laws under its remit

STAFF

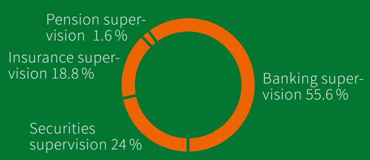
Actual staffing levels:

- **390** employees
- **83.4%** with degree
- **56.7%** women
- **42%** women in management positions
- **47.1%** with additional qualifications
- **40** languages

BUDGET

Federal contribution	€ 4.5 m
Fees	€ 9.3 m
Entities liable to pay costs	€ 60.8 m
Total	€ 74.6 m
Of which ⟶ OeNB	€ 10.7 m

Division among entities liable to pay costs:



THE FMA IN DIALOGUE

- **58** press releases
- **4** press conferences
- **11** newsletters
- **12** "Let's talk about money" articles
- **300** participants in Supervision Conference (2 700 online)
- **2 800** enquiries/complaints made to the FMA
- **211** tweets
- **5 500** followers on LinkedIn
- **330** new articles on FMA website

OPERATIONAL SUPERVISION AND PROCEDURES

194 on-site measures **343** management talkse **81** administrative penalties

ANALYSIS AND PROCEDURES

- **194** on-site measures
- **343** management talks
- **59** MoUs with 45 states
- **9** new licences, **10** expired/withdrawn
- **717** fit and proper tests
- **739** outsourcing procedures

FINANCIAL REPORTING ENFORCEMENT

- **27** inspections
- **22%** error rate

SANCTIONS AND LAW

- **81** administrative penalties
- **€ 2.6 million** total penalties
- **€ 235 000** maximum penalty
- **141** reports to public prosecutors

MONEY LAUNDERING PREVENTION

- **197** investigations, **50** administrative penal proceedings

FIGHTING UNAUTHORISED BUSINESS OPERATIONS

- **358** investigations
- **112** warning notices
- **73** reported offences

WHISTLEBLOWER REPORTS

- **298** whistleblower reports, 220 of which relevant to supervision
- **126** in-depth investigations
- **43** reported offences
- **10** investor warnings

BANK RESOLUTION

- **424** resolution plans prepared
- **€ 10.8 billion** distributed to HETA creditors
- **€ 1.5 billion** contributed by Austrian banks to the SRF

JULY

5. 7. FMA publishes study on fund fees

AUGUST

30. 7. Austrian banks do well in European stress test exercise

23. 7. FMA lifts ban on distributions imposed owing to pandemic

30. 7. Autobank – prohibition of business operations

SEPTEMBER

16. 9. FMA and Austrian Audit Oversight Authority (APAB) intensify dialogue with supervisory boards and auditors

OCTOBER

20. 10. FMA Supervision Conference "Sustainable ways out of the crisis"

NOVEMBER

DECEMBER

16. 12. VfGH clarifies questions relating to official liability

16. 12. Facts and figures, trends and strategies 2022 published

20. 12. FMA publishes digitalisation study

29. 12. FMA successfully completes HETA resolution

PRIORITIES FOR SUPERVISION AND INSPECTIONS IN 2021

Every year the FMA reviews, evaluates and revises its medium-term risk analysis for the financial markets over the next five years and adapts its medium-term supervisory strategy accordingly. In line with its unconditional commitment to making its supervisory activity as transparent as possible, the FMA communicates both its risk analysis and the supervision and inspection priorities derived from it for the coming year to the supervised companies and the market as a whole in advance (see Facts and figures, trends and strategies 2021 publication).

Based on the risk analysis for 2021-2025, and its medium-term supervisory strategy as adapted in line with its analysis, the FMA set the following priorities in 2020 for supervision and inspections in 2021:

- **RESILIENCE AND STABILITY:** Minimising the consequences of COVID-19 and preparing for a stable return to normality.
- **DIGITALISATION:** Recognising the latest developments on the financial market and responding quickly to new risks.
- **NEW BUSINESS MODELS:** Creating positive parameters through structured dialogue and enabling new business models and innovation.
- **COLLECTIVE CONSUMER PROTECTION:** Strengthening market confidence through transparency and information, and boosting individual responsibility through financial literacy.
- **SUSTAINABILITY:** Supporting the transition to a climate-neutral economy and curbing the risks of climate change for the financial market.
- **A CLEAN FINANCIAL CENTRE:** Preserving the clean financial centre by means of targeted preventive measures.

In setting these supervision and inspection priorities for 2021, the FMA addressed current developments and trends that harbour particular risk potential for supervised companies or markets. The aim is not simply to contain risks, but also to tap into opportunities and potential. At the same time, the FMA wants to draw the attention of the supervised entities to risk areas in their business field while also giving them the opportunity to prepare in a targeted way for the risk-oriented priorities for supervision in 2021. This strengthens risk awareness and creates transparency about the challenges that the supervisory authority has identified and will be focusing on. And the supervised entities have targeted indications of what their priorities should be.

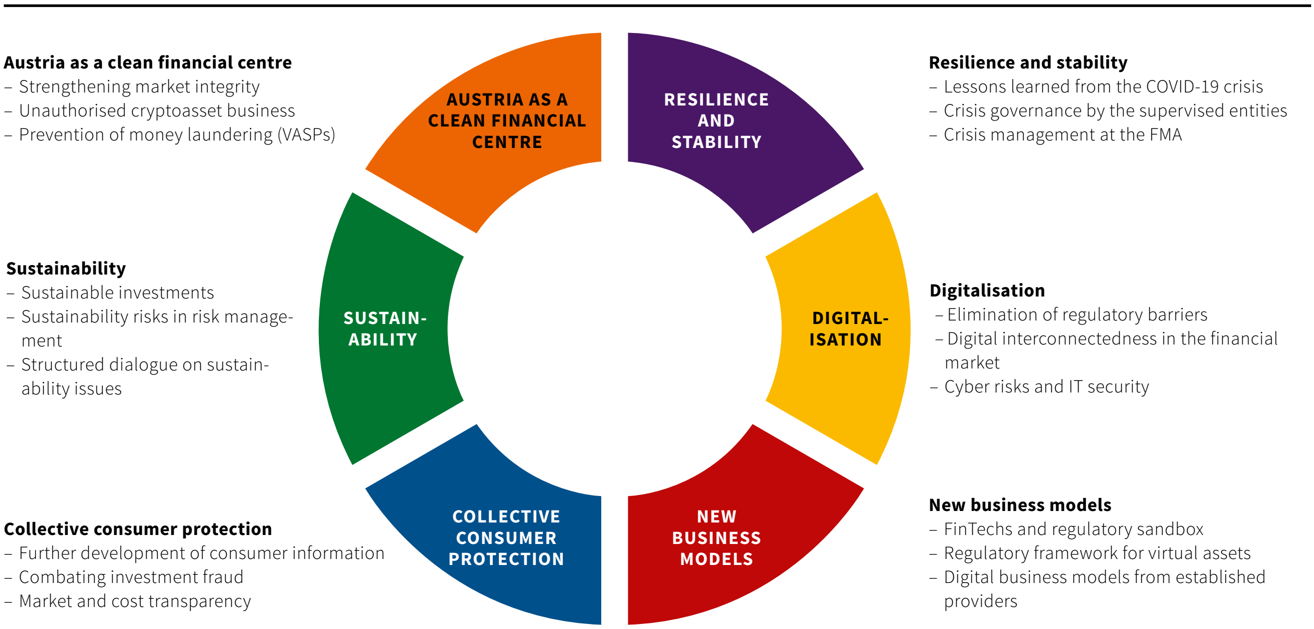
In order to implement its supervision and inspection priorities, the FMA therefore implemented the following key projects in the reporting year.

RESILIENCE AND STABILITY

Preparing the financial sector for the impact of the crisis in the real economy effectively and strengthening resilience

- The FMA implemented measures to strengthen the resilience and stability of the Austrian financial centre across all areas of supervision. The focus was on a prudent distribution policy in order to strengthen the capital base or at least maintain its high level.
- Potential effects of the pandemic on supervised companies were continuously analysed and monitored, with a strengthening of the forward-looking approach to supervision in order to facilitate early action. In banking supervision, for example, the main focus was on the analysis of business models, while insurance supervision focused on the further development of forecasting models. Stress tests were carried out for corporate provision funds and investment funds.
- A dedicated dashboard with key figures used in forecasting was developed to support the forward-looking supervisory approach.
- Another focus was governance of the supervised entities, particularly the qualifications and activity of the supervisory board and key function holders. In addition, the adequacy of crisis governance was analysed.
- The resolvability of banks was strengthened through the introduction of playbooks, which describe how resolution is to be carried out in practice, and also by implementing and establishing the minimum requirement for own funds and eligible liabilities (MREL) that institutions must hold for the event of resolution. The FMA also issued its own Minimum Standard for the provision of data in the event of a resolution.
- Another priority was the FMA's range of internal crisis management processes, including the further development of the analysis processes to determine whether a bank has failed or is likely to fail (FOLTF), and the revision of the Authority's Crisis Management Manual.
- For the first time, the readiness for resolution in a cross-border case was tested in

Figure 1: *The FMA's supervision priorities for 2021*



the form of a hypothetical dry run, with the involvement of the FMA's national and international partners.

DIGITALISATION

Identifying current developments on the financial market, addressing risks quickly, exploiting opportunities

- In operational supervision, the focus was cybersecurity and IT security, especially in relation to on-site inspections.
- The FMA's 2018 Digitalisation Study, the first comprehensive inventory of the scale of digitalisation in the Austrian financial market, was repeated in 2021 in order to survey and highlight the latest developments in this dynamic area. The implications for supervision were evaluated and possible options for action by the FMA developed. With the publication of the study, all stakeholders were asked for their additions and comments in the form of a call for input. Drawing up a specific FMA strategy forms part of the priorities for supervision in 2022.
- Current national, European and international initiatives on digitalisation in the financial market have been surveyed so that they can be taken into account in the FMA's digitalisation strategy.
- The use of digital technologies in supervised companies and individual business areas was reviewed, on the basis of which the FMA's digitalisation map has been updated and revised to show interconnections, risk concentrations and critical points.
- In the largely unregulated area of cryptoassets, the interfaces to existing regulations have been defined and specified. Clear boundaries have been drawn between what is subject to regulation and supervision and what is not, and consumers have been informed about the specific risks.

NEW BUSINESS MODELS

Creating legal security, clearing the way for new business models and innovations

- The FMA's regulatory sandbox was established on the market to provide regulatory support for innovative digital business models as they make their way into the market. The level of interest from new market participants as well as established players is promising and the first FinTechs have already been accepted.
- The FMA's cross-sectoral, integrated FinTech Point of Contact has established itself as a centre of excellence for the regulatory qualification of new business models and products, and is regularly being consulted at both national and European level.
- With effect from the end of 2021, the new European supervisory regime for crowdfunding platforms applies to Austria, with the FMA as the competent authority. The FMA was involved in the regulatory implementation and created the organisational prerequisites for its assumption of supervisory responsibility in a timely manner. The European supervisory regime is intended in particular to facilitate cross-border crowdfunding within the EU by enabling specialised platforms to offer their services throughout the European single market by means of an EU passport. Domestic Austrian crowdfunding deals in accordance with the Alternative Financing Act (AltFG; *Alternativfinanzierungsgesetz*) remain largely unaffected.
- Business models and products that are based on blockchain or distributed ledger technology are currently only regulated in certain cases. The EU's Digital Finance Package aims to regulate cryptoassets and strengthen Europe's digital resilience.

FMA INNOVATIVE

Having a modern and future-proof supervisor is a hallmark of quality for any financial centre. The FMA is therefore constantly working to improve the efficiency and effectiveness of regulation and supervision in Austria and to further develop its organisational structure, human resources and technical infrastructure. In light of the digital revolution, the FMA is focusing on SupTech and RegTech tools. These are innovative digital solutions designed to tackle regulatory and supervisory challenges.

FMA DATA STRATEGY

Ever-increasing volumes of data, coupled with greater integration of this data and new technologies, are opening up opportunities to make the FMA an even more strongly data-informed supervisory body. To this end, five strategic goals have been defined. These involve increasing integration and transparency, shaping the sustainable framework with corresponding specifications for data work at the FMA, facilitating data work, continuously expanding the analytical horizon, and promoting effective collaboration and an agile approach. An “FMA Data Governance” concept is now being developed for subsequent integration into the “Fit4Future” project.

FMA DASHBOARD

The project aims to create an FMA-wide dashboard to display and interactively present indicators on supervised entities and markets. This tool will serve as a basis for managers for their supervisory work, providing support for planning, risk assessment and priority setting.

INCOMING PLATFORM NEW

Supervised entities can use the FMA’s Incoming Platform to send their data, reports and documents to the FMA and OeNB electronically and securely. Since its launch, the system has been successively expanded to around 430 submission options across all supervisory areas. It automatically forwards the submissions to the internal file management system or to the corresponding reporting processing systems in the relevant supervisory area. This makes use of synergies, shortens the submission time and minimises the workload for everyone involved thanks to the increased use of electronic transmission. In addition to the completed renewal of the technical platform and the user interface, the FMA is also working on improving the technical functionalities.

DIGITALISING THE HR LANDSCAPE

This project will implement the digitalisation of the staff plan and personnel file in one integrated platform. Establishing digital workflows will enable digital processes to replace traditional methods. A self-service portal for employees and managers will also be introduced, enabling applications to be tracked from the submission stage through to approval and final documentation.

CONSUMER COMPLAINT/ENQUIRY DATABASE

The aim is to set up a smart database to record and process all enquiries and complaints, and that can also be used to present them in a management information tool. This will improve the quantitative and qualitative collection and automated evaluation of relevant data for market monitoring in accordance with the EU Markets in Financial Instruments Regulation (MiFIR).[1]

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[1] *Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.*

The relevant rules that are currently being drawn up, particularly MiCAR[1], the DLT Pilot Regime[2] and DORA[3], are also highly likely to fall within the FMA's supervisory remit. Consequently, the FMA is actively involved in the discussion process at all levels and is evaluating which structural and organisational challenges these new areas of supervision will bring.

COLLECTIVE CONSUMER PROTECTION

Strengthening consumer protection through information and financial literacy

- Reviews of the transparency obligations of Austrian retail funds as well as the presentation of costs and performance of life insurers including the disclosure of risk indicators.
- Analysis of the fee structure of Austrian retail funds and participation in the Europe-wide joint review of fund fees under the leadership of the European Securities and Markets Authority (ESMA). In addition, changes and trends in retail investor behaviour were examined on the basis of reporting data.
- Analysis of investment risks in unit-linked and index-linked life insurance as well as the switching behaviour of policyholders between different investment strategies.
- Focus on improper sales practices in insurance and investment products for retail investors.
- Design of a quality assurance package for compliance with conduct rules by foreign insurers in Austria.
- Establishment on the Austrian financial market of the new "Let's talk about money" consumer information format. Every month, information is provided on a consumer-related topic on two pages in simple and understandable language.
- Expansion of the "A-Z of Finance" on the FMA website, with the aim of explaining complex issues in a simple, easy-to-understand format.
- Preventive addressing of particularly risky developments on the financial market in consumer communication, e.g. that VASPs are only subject to limited supervision, how psychological traps can be avoided when making investment decisions, as well as warnings on investment fraud.

SUSTAINABILITY

Creating transparency on sustainability risks and integrating them into the risk management and governance of supervised companies

- The FMA actively contributed to the development of national and international regulation by providing expert input as a participant in a range of international and European bodies. Regulatory developments are incorporated into the FMA's strategic planning and are made available to the FMA's supervisory areas.
- Evaluation of the integration of sustainability risks at the supervised undertakings. Development of tools for measuring sustainability risks. The implementation of the new regulatory requirements is prepared through supervisory dialogue.
- Development of sustainability expertise at the FMA.
- Participation in the EU project "Environmental Scenario Analysis and Climate Risk Assessment".

[1] The Markets in Crypto-Assets Regulation is an EU legislative proposal for the regulation of cryptoassets.
[2] The DLT Pilot Regime is a regulatory approach for market infrastructure based on a distributed ledger technology.
[3] The Digital Operational Resilience Act introduces a single, comprehensive European regulatory framework for the digital operational resilience of all supervised institutions.

A CLEAN FINANCIAL CENTRE

Having a clean financial centre is an essential asset of any business location

- The FMA consistently developed its zero tolerance approach to money laundering and terrorist financing. A special focus was placed on new business models, virtual asset service providers (VASPs), money remitters in the area of financial transfer business and correspondent banking relationships.
- Consistent action was taken to tackle VASPs operating illegally on the Austrian market.
- Findings from supervisory activities to prevent money laundering were integrated into the supervisory review and evaluation process (SREP) for banks in a standardised manner.
- Active participation in the regulatory and structural design of the Europeanisation of anti-money laundering supervision.
- In the conduct supervision of banks, the focus was on business continuity management, while the role of key functions in a crisis was fleshed out in an update to the FMA's Circular on internal organisational structure for the prevention of money laundering and terrorist financing.

In addition to the supervision and inspection priorities for the supervised markets and undertakings, the FMA also set internal goals to leverage synergies in integrated supervision, increase the efficiency and effectiveness of supervisory activities, and improve sustainability in ongoing business operations. In the year under review, the focus was on a whole series of projects designed to advance the FMA on its path to fully digitalised supervision. Some lighthouse projects are presented in the "FMA innovative" box on page 15. The basis for this is the FMA data strategy developed in the reporting year, on which the "Fit4Future – FMA 2025" project launched in 2021 also builds. This programme uses the medium-term risk analysis to identify trends and developments that will determine the success factors of regulation and supervision in the future. The necessary strategic, organisational and structural decisions are derived from it. A brief outline of the programme can be found in the Facts and figures, trends and strategies 2022 publication.

FINANCIAL MARKET DEVELOPMENT

THE GENERAL ECONOMIC ENVIRONMENT

Despite the ongoing challenges posed by the pandemic, the general state of the economy improved in 2021, not least thanks to the increased availability of vaccines, the lifting of restrictions to combat COVID-19 and the progressive adjustment of economies and societies to the current situation. The emergence of new virus variants (Delta and Omicron) has, however, hampered the economic upturn. Further sources of global uncertainty have included persistent supply bottlenecks, signs of declining monetary and fiscal policy support, huge jumps in commodity and energy prices, geopolitical conflicts and the financial difficulties affecting Chinese real estate developers.

GLOBAL ECONOMIC PERFORMANCE

According to the International Monetary Fund's (IMF) calculations, global economic growth for 2021 was 5.9%. However, the economic recovery has left the same imbalance between supply and demand, as well as tangible positive price pressure.

In the USA, economic growth rose to around 5.6%, well above pre-crisis levels.[1] Sector-specific staff shortages and wage increases, higher energy prices and persistent supply chain problems *(> Charts 1–4)* combined with strong domestic demand have helped push up inflation, which was as high as 7% by December.[2] The annual average according to the U.S. Bureau of Labor Statistics was around the 4.7% mark.

With regard to China, the IMF is reporting economic growth of 8.1% despite the

Chart 1: *Development of oil prices 2017–2021 (Source: Refinitiv)*

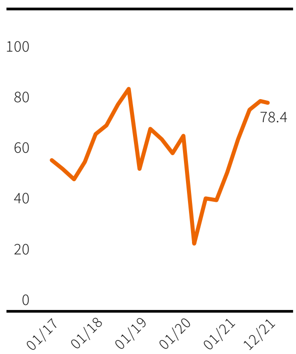


Chart 2: *Development of carbon prices 2017–2021 (Source: Refinitiv)*

Chart 3: *Development of electricity and gas prices 2017–2021 (source: Refinitiv)*

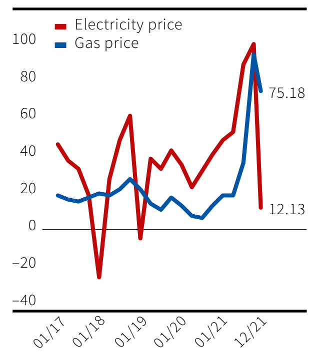
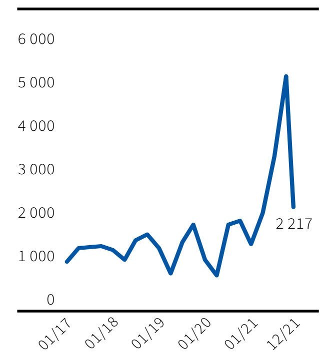


Chart 4: *Changes in Baltic Dry Index 2017–2021 (Source: Refinitiv)*



1 *IMF (2022), World Economic Outlook.*
2 *U.S. Bureau of Labour Statistics (2022), Consumer Price Index December News Release.*

country's restrictive "zero tolerance" approach to COVID-19. The upswing, previously fuelled by investment and strong exports as economic activity picked up again in the Western industrialised nations, slowed markedly during the second half of 2021. In particular, the fact that real estate developers have been experiencing payment difficulties has not only caused a stir in the financial markets but has also dented confidence and thus investment in the real estate sector. In earlier years the property sector had been one of the mainstays of economic growth in China.[3]
The economic recovery in the other developing countries and emerging markets differs greatly from one country to another. The pace of recovery is strongly influenced by access to vaccines and the budgetary scope for government support. Furthermore, the announcement of a tighter monetary policy, especially in the USA, poses further challenges for these countries. For nations with high levels of foreign currency debt, the combination of tighter financial conditions, exchange rate devaluations and higher imported inflation brings additional burdens.

EUROPE

In Europe, a robust recovery took hold in the second quarter of 2021, supported by a steady rise in vaccination rates and the easing of travel bans and social distancing rules. Towards the end of the year, however, lockdowns introduced at regional level temporarily slowed the recovery again. Yet with average economic growth in 2021 of 5.3%, the European economy recovered faster than expected. Unemployment reached 7.0%. In the eurozone, economic growth was 5.3% with a jobless rate of 7.7%.[4] Rising energy prices and supply-side bottlenecks had a tangible impact on inflation. According to Eurostat calculations, prices in the EU rose by an annual average of around 2.9%, and by approximately 2.6% in the eurozone, with a strong upward movement in the second half of the year *(> Charts 5–8)*.
In Germany, gross domestic product (GDP) grew by around 2.9% in 2021 with unemployment averaging 3.5%. While export orders in the manufacturing sector hit record levels thanks to strong global demand, production declined somewhat due to shortages of raw materials and intermediate goods.
The economies of the CESEE countries generally recorded above-average growth, as shown by the Eurostat data for Croatia (10.4%), Hungary (7.1%) and Romania (5.9%). It was only in Eastern European states such as Belarus (2.1%) and Ukraine (3.6%)

Chart 5: *GDP growth rates 2017–2021 (in %; source: Eurostat)*

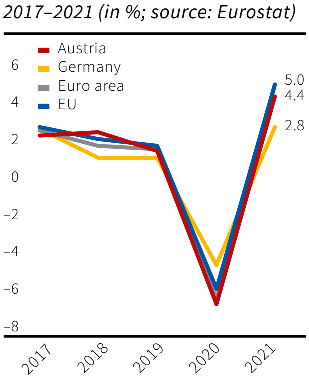


Chart 6: *Unemployment rates 2017–2022* (in %; source: Eurostat, EK)*

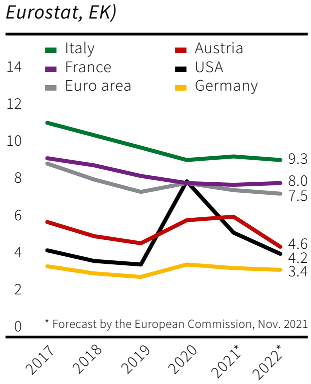


Chart 7: *Debt-to-GDP ratio 2016–2021 (as % of GDP; source: Eurostat, BIS)*

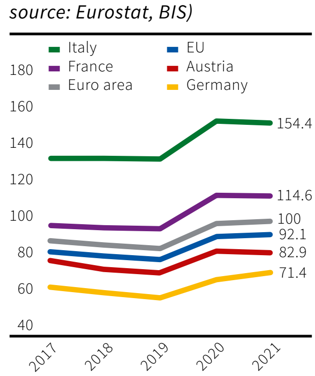
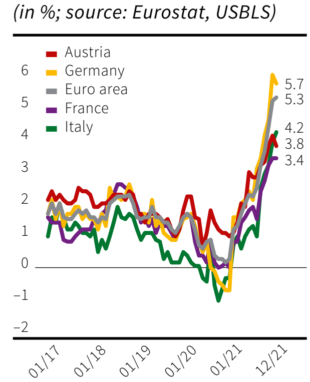


Chart 8: *Inflation 2017–2021 (in %; source: Eurostat, USBLS)*



3 *OECD (2021), Economic Outlook, Volume 2021 Issue 2.*
4 *Eurostat (2022), Winter 2022 Economic Forecast.*

that growth was lower. Oesterreichische Nationalbank (OeNB) considers export-oriented industrial production and domestic demand/private consumption to have been the drivers of the recovery during the first half of the year.[5] Then, during the second six months, supply chain bottlenecks and rising inflation came into play. The typically low vaccination rates in most of these countries continues to make them vulnerable to any potential new wave of COVID-19 and the huge economic impact that this would involve.

Austria
According to their latest calculations, the Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (IHS) expect Austria's GDP to have grown by 4.5% in 2021.[6] This means that the Austrian economy has bounced back from the economic collapse triggered by coronavirus more quickly than expected. The upswing has had a broad basis in terms of economic sectors. According to the IHS, trade, industry and construction returned to pre-crisis levels in the third quarter of 2021. Similarly, the hospitality sector, which was hit particularly hard by the pandemic, grew strongly in the third quarter, albeit still a good 10% below pre-crisis levels. According to the OeNB's weekly GDP indicator, Austria's fourth lockdown, imposed in the final quarter of 2021, had nothing more than a temporary impact on economic performance. The rapid return to pre-crisis levels is evidence of the Austrian economy's greater flexibility now and its newly acquired ability to cope with temporary lockdown measures.

Chart 9: *Development of job vacancies in Austria 2017–2021 (in thousands; source: HSV, AMS, Eurostat, BMASK)*

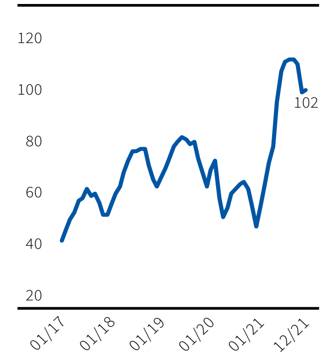
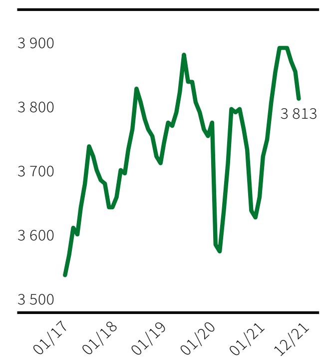


Chart 10: *Development of employment rates in Austria 2017–2021 (in thousands; source: HSV, AMS, Eurostat, BMASK)*



[5] *OeNB (2021), Focus on European Economic Integration Q4/21.*
[6] *Economic forecast December 2021.*

THE INTERNATIONAL FINANCIAL AND CAPITAL MARKETS

The international financial and capital markets have largely proven to be resilient in the second year of the pandemic, maintaining their upward movement. However, there are increasing warnings about the vulnerability of the financial sector to significant corrections caused by the side effects of monetary, fiscal and supervisory measures to combat the coronavirus crisis. These effects include rising levels of government borrowing, sharp increases in the price of certain assets and investors' increased appetite for risk. Repeated spikes in COVID infection numbers, signs that inflation is much higher than expected and (geo-)political risks have generated uncertainty and triggered significant price fluctuations in relation to many assets. Speculative cryptoassets and sustainable financial products as financial investments have grown in popularity. Uncertainties about the medium and long-term economic consequences of the pandemic remain, however, and are likely to have a further impact on how the financial and capital markets perform.

MONETARY POLICY AND CURRENCIES

The monetary policy pursued by the European Central Bank (ECB) was again shaped by the pandemic in 2021. To guarantee favourable financing conditions, the ECB continued its expansionary monetary policy strategy. The interest rates on the main refinancing operations and on the marginal lending facility and deposit facility were kept unchanged during 2021 at 0.00%, 0.25% and -0.50% respectively. The ECB also continued to purchase securities under its Pandemic Emergency Purchase Programme (PEPP) and Asset Purchase Programme (APP). In December, the ECB announced that net asset purchases under the PEPP programme would be discontinued in March 2022. In contrast, the monthly purchase volume under the APP programme, otherwise set at € 20 billion per month, is to be increased by € 20 billion in the second quarter and € 10 billion in the third quarter of 2022 to ensure a smooth exit out of the crisis programme. The ECB also extended the reinvestment horizon for maturing securities purchased under the PEPP programme until 2024.[1] Banks were once again able to access attractive refinancing conditions in the course of the year (TLTRO-III [2], PELTROs[3]).
In July 2021, the ECB's Governing Council approved its new monetary policy strategy launched in 2020. Over the medium term, the ECB has decided to pursue a symmetric inflation target of 2%. This means that the monetary watchdogs consider a temporar-

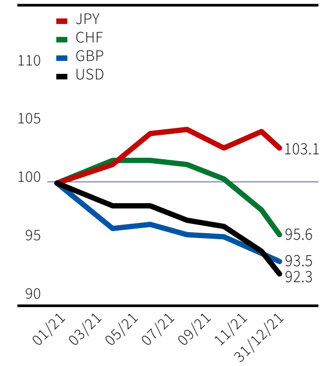
[1] *ECB (2021), Monetary policy decisions press release, December 2021.*
[2] *ECB (2022), Targeted longer-term refinancing operations (TLTROs).*
[3] *ECB (2022), Pandemic emergency longer-term refinancing operations (PELTROs).*

ily higher or lower inflation rate to be compatible with the Bank's medium-term price stability target of 2%.[4]

The US Federal Reserve (Fed) also supported the economic recovery in the pandemic by adopting an expansionary monetary policy in order to achieve its goals of price stability and full employment. Sustained low interest rates and open market operations have created favourable financing conditions. Holdings of government bonds and mortgage-based securities were substantially increased with a minimum monthly volume of $80 billion or $40 billion before the first steps to reduce these assets again were taken in November and December on the back of the broad-based economic recovery.[5]

In the CESEE countries, high rates of inflation forced the central banks to move to a more restrictive monetary policy. The central banks in Hungary, Czechia and Poland gradually raised their key interest rates.[6] Turkey's central bank gradually lowered its key interest rate from 19% to 14% between September and December, despite strong inflation. The Turkish lira duly plummeted in value and inflation began to climb again.[7]

Chart 11: *Development of EUR–USD/JPY/CHF/GBP FX exchange rates 2021 (source: ECB)*



CREDIT MARKETS

In the non-financial private sector, corporate lending growth varied widely across the euro area. While adjusted credit growth in the euro area as a whole reached +4.3% in December, it was +5.1% in Germany, +3.4% in France, +1.4% in Spain and a mere +0.1% in Italy.[8] In Austria, it amounted to +8.7% on a year-on-year basis. In Spain and Italy, meanwhile, growth in this credit segment even moved into negative territory at times in the second half of the year. It was only during the first three months of the year that corporate loans grew at a higher rate in the euro area than in Austria.

Lending to households showed a similar picture, although the differences were less pronounced. In Austria, credit growth reached 5.3% in December, while the comparable figure in the euro area was 4.2%.[9] In Germany and France, this segment picked up speed over the course of the year, while the growth momentum was more restrained in Spain in particular.

The breakdown of lending to households by type shows a consistently high level of growth in relation to housing loans. In the euro area, these loans grew by +5.4% compared with just +1.5% for consumer loans.[10] In Austria, by comparison, housing loans rose by +6.9% in December and consumer loans increased by +1.4%.

EQUITY MARKETS

The international stock markets[11] largely maintained their upward trend in 2021. This was partly due to the expansive monetary policy of the central banks and positive business figures reported by companies against the background of a broad recovery in the real economy. Yet the stock markets did not experience a constant upward trend in the past year. The COVID-19 developments around Delta and Omicron, the financial difficulties of large real estate developers in China and inflation concerns – triggered in

[4] ECB (2021), ECB's Governing Council approves its new monetary policy strategy.
[5] Fed (2021), Federal Open Market Committee minutes.
[6] OeNB (2021), Focus on European Economic Integration Q4/21.
[7] TCMB (2021), Monetary and Exchange Rate Policy Texts.
[8] ECB (2022), European Central Bank – Statistical Data Warehouse [retrieved on 16 March 2022].
[9] OeNB (2022), Development of loans broken down by economic sectors [retrieved on 3 March 2022].
[10] OeNB (2022), Development of loans to households broken down by purpose [retrieved on 3 March 2022].
[11] Performance data on equity indices in this section is calculated from the total return indices.

particular by supply bottlenecks and rising energy and commodity prices – caused prices to fall temporarily and sometimes sharply. At times, the rise of some international indices was attributable to the growth of just a few large stocks in the indices. In retrospect, 2021 was nevertheless a successful year for IPOs. Various factors explain this development. Digitalisation and the financing needs of technology companies as well as the ongoing transition to a sustainable economy are some of the drivers of this development.

The further increase in investors' appetite for risk as they seek higher returns was also evident in the past year. Negative manifestations of this development included trading in so-called meme stocks[12] and the collapse of the Archegos Capital Management US hedge fund, which ultimately resulted in a loss of more than $10 billion. The increased trading activity of retail investors has continued in the second year of the pandemic.

European stock indices performed well, despite the turbulence of COVID-19. In Germany, the DAX climbed by 15.8% in 2021. The STOXX EUROPE 50, an index of 50 of the most important blue chips in Europe, gained 26.8% compared with the last trading day of the previous year, and the FTSE 100 in the UK also posted a significant gain (18.4%) *(> Chart 12)*.

The US stock markets also made strong gains. The S&P 500 Composite Index, which comprises the shares of the 500 largest listed US companies, rose by 28.7% last year, the Dow Jones Industrial Average posted a respectable increase of + 21.0%, and the NASDAQ Composite Index shed some of its earlier gains in the second half of the year due to emerging inflation concerns, but still ended the year up 22.2%.

The MSCI Emerging Markets Index, which reflects a weighted indicator of the markets of a group of emerging markets, ended 2021 down 2.2% year-on-year.

Chart 12: *International equity markets 2021 (source: Refinitiv)*

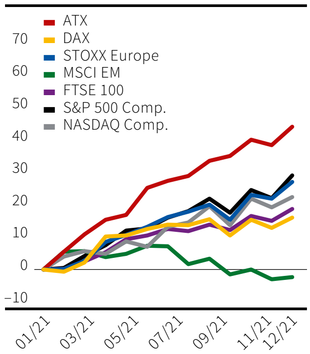


Chart 13: *Yield spread 2017–2021 (in basis points; source: Refinitiv)*

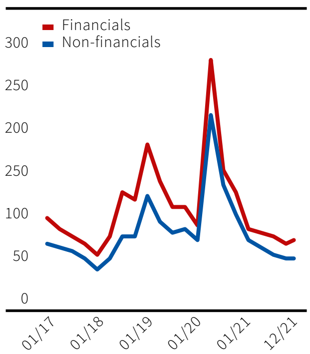
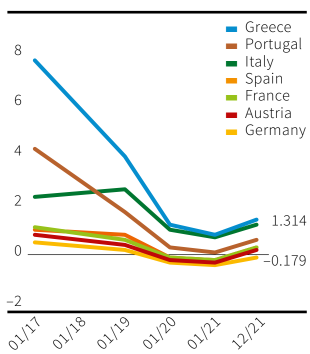


Chart 14: *10-year government bonds 2017–2021 (source: Refinitiv)*



BOND MARKETS

The fixed-income securities markets were influenced last year by the continuing expansionary monetary policy, increasing inflation and, in Europe, partly by the uncertainty about the economic effects of the pandemic. After a rise in yields in the first half of the year, followed by a decline midway through 2021, rising inflationary pressure and the uncertainty around COVID led to a renewed rise in yields on longer-term government bonds towards the year-end. The yield on German Bunds with a 10-year residual maturity remained in negative territory, at -0.18% at the end of the year. In Italy, ten-year bond yields rose to 1.18% over the same period. In Austria, the yield on the 10-year federal bond increased to 0.09% by the year-end *(> Chart 14)*.

In the investment grade (IG) corporate bond segment, valuations were above pre-crisis levels, primarily due to BBB-rated bonds. Higher-rated corporate bonds trended towards pre-crisis levels. Against the backdrop of rising inflation and a potential tightening of monetary policy, corporate bond spreads widened somewhat towards the end of 2021.

The hunt for yields in the environment of low interest rates is increasingly driving investors towards riskier assets. However, the combination of persistently low interest rates and high valuations makes lower-rated bonds particularly vulnerable to negative shocks.

[12] *Meme stocks are shares that have gone viral on the internet and attracted the attention of many, often inexperienced retail investors.*

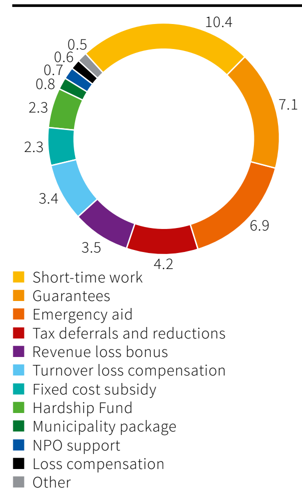
THE AUSTRIAN FINANCIAL MARKET

Developments on the Austrian financial markets in 2021 were marked by the real economy's rapid and robust recovery from the COVID-19 shock. Austria's gross domestic product had bounced back to pre-crisis levels by the middle of the year. The massive government support measures to fight the economic consequences of the pandemic *(> Chart 15)* had stopped the 2020 economic slump from spilling over into the financial markets. However, the rapid economic upswing was dealt a severe blow at the end of the reporting year: new outbreaks of coronavirus flared up, while global supply chains were still not fully back to normal, resulting in material bottlenecks as well as huge increases in the price of raw materials and energy, in turn causing inflation to accelerate rapidly. Consequently, global uncertainties increased again dramatically at the turn of the year.

The Austrian capital market was generally unaffected by these developments; both trading volumes and the price performance of Austrian stocks surged. Accordingly, Austrian asset managers' performance was equally good. Not only did they profit from the optimistic mood on the stock exchange but, because of the persistently low interest rate environment, they also benefited from investors' search for higher yields and their willingness to accept higher risks in the process. While the share of liquid deposits paying low interest is still high, there is also a marked move towards investment funds, shares and certificates. Finally, the policy of cheap money, which central banks have pursued since the global financial crisis of 2008, seems to have resulted in overvaluations in certain asset classes such as real estate and cryptoassets.

The Financial Market Stability Board (FMSB) has identified vulnerabilities in real estate lending, which it considers too lax. Real estate prices and real estate loans increased too heavily, in its view, with loan interest at a record low and the market environment dominated by fierce competition. According to the FMSB, the high share of variable-rate loans means significant risks for borrowers in the event of short-term interest rate changes. The FMSB has warned in general that growth in loans is too high in relation to GDP growth. However, Austrian financial services providers' solvency and capitalisation have improved significantly since the global financial crisis, noticeably strengthening their resilience to crises.

***Chart:** Coronavirus support measures in Austria (in € billions; source: BMF as at 24 January 2022)*



THE CAPITAL MARKET

THE PRIMARY MARKET – ISSUING ACTIVITY

The total volume of all issues of interest-bearing securities in Austria – across all

***Table 1:** Issuing activity in Austria 2017–2021 by issuer category (in € millions; source: OeNB, as at 30 March 2022)*

	2017	2018	2019	2020	2021
MFIs (including the OeNB)[1]	41 988	48 244	53 944	37 335	73 751
Financial companies excluding MFIs[2]	2 489	2 157	5 531	2 725	2 747
Non-financial companies[3]	6 225	4 804	6 613	11 590	3 828
Central government	40 977	27 333	35 553	86 915	102 966
Other government	621	308	58	888	329
Total	**92 302**	**82 845**	**101 697**	**139 451**	**183 622**

[1] Monetary financial institutions are financial institutions whose business is to receive deposits which are considered part of money supply according to ECB statistics definitions and to grant loans and/or make investments in securities.
[2] Investment funds, other non-monetary financial institutions, insurance undertakings and *Pensionskassen*.
[3] Corporations and partnerships that primarily produce goods or render non-financial services.

issuer categories – increased significantly. Issuing volume rose from € 139.2 billion in 2020 to € 183.6 billion in 2021, equating to an increase of 31.9% *(> Table 1).*

The economic turbulence triggered by the COVID-19 pandemic significantly changed issuing activity on the Austrian capital market during the reporting year. With an issuing volume of approximately € 103 billion, the Republic of Austria (central government) was the most important issuer in 2021. This compares with € 86.9 billion in 2020, which was already high when compared with the last five years. General issuing volume therefore increased again in 2021, by 18.5 % in a year-on-year comparison.

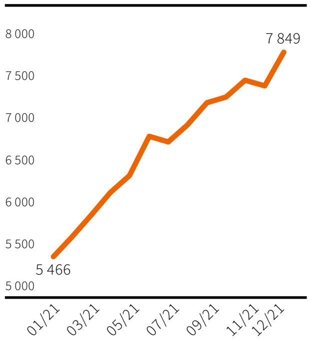
The group of financial companies that are monetary financial institutions (mostly banks), consistently the most important group among Austrian issuers over recent years, increased their issuing activity considerably after last year's slump. A rise of 197.5% from € 37.3 billion in 2020 to € 73.7 billion in 2021 means this group has nearly doubled its issuing activity. Non-financial companies (corporations and partnerships that produce goods or render non-financial services) are the third group showing markedly changed issuing activity in 2021. This group slashed its issuing activity from € 11.4 billion to € 3.8 billion, a 66% decline.

As in previous years, around one third of new issues in 2021 were denominated in foreign currency.

THE VIENNA STOCK EXCHANGE

The Austrian equity market can look back on a successful 2021. The Austrian Traded Index Total Return (ATX TR) ended its 250th year on the Vienna Stock Exchange at 7 848.78 points *(> Chart 16)*, which equates to a phenomenal +43.6% hike. This places the Austrian stock index among the leading global indices. It peaked in November when it stood at 7 927.88 points, and recorded its lowest level of 5 489.66 points in January. While the expansionist monetary policy continued to generate momentum for the real economy, political uncertainty and growing inflation concerns had a negative impact.

***Chart 16:** Changes in ATX Total Return 2021 (source: Refinitiv)*



A total of 19 components in the ATX TR recorded year-on-year gains. The biggest gains were posted by Erste Group Bank AG with +72.6%, AT&S Austria Technologie & Systemtechnik AG with +67.6% and Raiffeisen Bank International AG with +63.5% as at the year-end.

The market capitalisation of the Austrian equity market reached approximately € 142.2 billion at the end of 2021, compared with around € 106.6 billion at the end of 2020 *(> Table 2)*. Cyclical shares performed particularly well in the reporting year, boosting the Vienna Stock Exchange's trading volumes. Trading volumes[1] in the equity

[1] *According to usual double counting (buys and sells).*

	2017	2018	2019	2020	2021
Capitalisation of domestic shares as at last trading day (in € billions)	123.80	100.33	117.08	106.61	142.18
Market capitalisation equity segment (as % of GDP)	33.52	26.03	29.45	28.10	35.25
Annual trading volume equity market (in € billions)	66.71	70.41	61.96	68.78	73.32
Annual trading volume bond market (in € millions)	276.96	635.28	659.10	664.81	521.53
Annual trading volume structured products (in € millions)	553.94	743.60	733.14	862.64	807.74

***Table 2:** Vienna Stock Exchange business 2017–2021 (quarter-end results; source: Wiener Börse AG)*

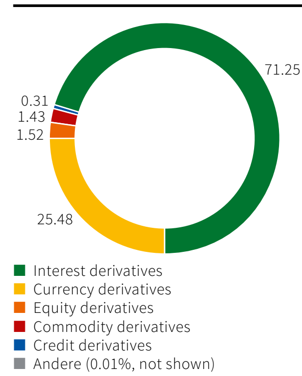
market.at segment (across all market segments) reached € 73.3 billion in 2021, exceeding last year's already solid figure by € 4.5 billion. According to the Vienna Stock Exchange, trading on public holidays contributed to an additional turnover of around € 1.2 billion.

Two companies in the regulated market (Porr AG and Cleen Energy AG) carried out capital increases in the past year, together accounting for an increase in shares of around 10.4 million. With eight new listings in the "direct market plus" segment, 2021 recorded the highest number of new listings since this segment has been introduced, according to the Vienna Stock Exchange's figures.

THE AUSTRIAN DERIVATIVE MARKET

The volume of outstanding derivatives (excluding contracts of difference) with at least one Austrian counterparty, measured in terms of gross nominal value, amounted to around € 1 119 billion in the fourth week of December 2021.[2] This figure includes derivatives traded both on-exchange and off-exchange.[3] Within the EU, over-the-counter (OTC) derivative trading predominates. Similarly, in Austria, 20% of the outstanding derivatives were traded on an exchange, compared with 80% on an OTC basis.

***Chart 17:** Outstanding derivatives by asset class based on nominal value (in %, rounded; source: EMIR reports to trade repositories)*



Measured in terms of nominal value, interest derivatives dominated, accounting for 71% of the total market value, followed by currency derivatives at 25.5 %. Equity derivatives made up around 1.5% and commodity derivatives around 1.4% of the total nominal amount. Credit and other derivatives accounted for less than 1% *(> Chart 17).*

The residual maturities reported varied according to asset class and contract type. For the standard contract type of credit derivatives (credit default swaps), they averaged three years and for interest rate swaps around six years. In relation to currency derivatives, the residual maturity for the relevant contract types (forwards, swaps, options) averaged between four and six months. Equity and commodity derivatives showed a greater heterogeneity in terms of contract types. While options dominated equity derivatives, it was swaps, futures and forwards that predominated among commodity derivatives.

With regard to the underlyings of credit and equity derivatives, the relatively small market of credit derivatives was focused predominantly on European credit default indices as well as UK corporations. Equity derivatives were most frequently based on indices such as the EURO STOXX 50, the S&P 500, the DAX and the ATX. Derivatives with an Austrian underlying mainly related to ATX heavyweights.

[2] *Information based on available trade state data collected under the European Market Infrastructure Regulation. EMIR raw data is subject to continuous quality improvement, and the methods used to clean the data are also subject to continuous development. Caution should therefore be exercised when making comparisons with the data in previous FMA Annual Reports.*

[3] *Off-exchange in this context is to be understood as any traded contract outside a trading venue within the meaning of Article 4(1)(24) MiFID II, contrary to the definition according to Article 2(7) EMIR.*

THE COMPANIES ON THE AUSTRIAN FINANCIAL MARKET

BANKS AND PAYMENT SERVICE PROVIDERS

STRUCTURAL DEVELOPMENTS

As at the 2021 year-end, 498 credit institutions were licensed in Austria, as well as 23 branches of banks that pursue activities in Austria under the EU's freedom of establishment *(> Table 3)*. Compared with the end of 2020, the total number of banks has fallen by 21, marking the continuation of a trend in evidence for the past few years. In 2017 there were still 602 credit institutions and 27 EU branches, or 150 more institutions than today. The process of consolidation continued particularly strongly in the decentralised sectors (Raiffeisen and Volksbank cooperatives, savings banks), with a drop in the number of individual institutions from 412 to 396.

BUSINESS DEVELOPMENT

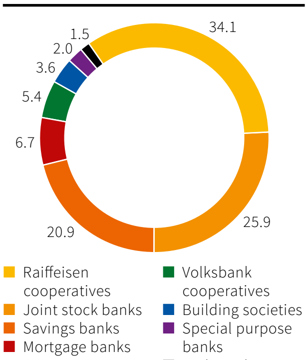
Austrian credit institutions' total assets, or business volume, amounted to € 992 billion at the end of 2021, thus increasing by 6.15% compared with the previous year *(> Table 4)*. All sectors recorded positive growth rates, with the exception of mortgage banks, which declined by 6.33%, and building societies, which went down by 3.5%. Savings banks grew by 10.6%, followed by Raiffeisen cooperatives, up 8.32%, and Volksbank cooperatives, up 5.66%. At 35.2%, Raiffeisen cooperatives continued to

Table 3 *(right): Number of credit institutions 2017–2021*

	2017	2018	2019	2020	2021
Joint stock banks	43	42	41	37	35
Special-purpose banks[1]	68	61	59	58	57
Savings banks	49	49	49	49	49
Raiffeisen cooperatives	419	399	380	354	338
Volksbank cooperatives	14	9	9	9	9
Mortgage banks	9	8	8	8	6
Building societies	4	4	4	4	4
Total	**602**	**572**	**550**	**519**	**498**
EEA branches	27	25	22	24	23
Number of payment institutions	5	5	6	6	7
Licensing processes pending as at 31 December	0	1	0	0	0
Passive notifications	183	246	125[2]	57	82

[1] Including special-purpose banks, investment fund management companies, corporate provision funds, and exchange offices/remittance services.
[2] Only relates to passive notifications of credit institutions.

Chart 18*: Market shares of sectors in 2021 including branches from EEA countries in Austria (Article 9 BWG) and corporate provision funds (in %)*



hold the largest market share in terms of business volume, while joint stock banks occupied second place (26.7%) and savings banks third (21.6%).

In 2021 claims on non-banks rose by 7.2%, accounting for 52.2% of the Austrian banking sector's assets. Liabilities to non-banks were also up in terms of volume (+5.6%) but down by 0.3 percentage points in terms of overall share. However, at 49.3%, they still accounted for the largest item on the liability side. The second-largest item on the asset side, accounting for around 17.2%, was claims on credit institutions. This item was down 6.5% on a year-on-year basis. On the liability side, the second-largest item was liabilities to credit institutions, accounting for 23.6% and representing a 10.8% increase on the previous year.

EARNINGS SITUATION

A non-consolidated operating result of € 6.5 billion is expected for Austrian banks in

***Table 4:** Market development of the Austrian banking sector 2017–2021 (source: OeNB, financial statement figures 2017–2020, asset, trading and risk statements 2021)*

	2017	2018	2019	2020	2021 (prov.)
Development of assets and liabilities (non-consolidated, in € millions):					
Total assets non-consolidated (sum total)[1]	777 213	814 606	839 852	934 496	991 994
– Joint stock banks	*220 419*	*222 074*	*221 094*	*253 680*	*264 952*
– Savings banks	*152 517*	*165 970*	*170 094*	*193 897*	*214 450*
– Mortgage banks	*52 011*	*53 217*	*53 721*	*58 708*	*54 990*
– Raiffeisen cooperatives	*255 115*	*275 539*	*292 235*	*322 459*	*349 272*
– Volksbank cooperatives	*31 042*	*31 591*	*33 016*	*34 471*	*36 421*
– Building societies	*22 499*	*22 363*	*21 980*	*21 480*	*20 727*
– Special-purpose banks[2]	*43 610*	*43 852*	*47 713*	*49 800*	*51 181*
Claims on credit institutions	163 319	167 952	171 530	182 664	170 755
Claims on non-banks	418 645	445 510	466 757	482 505	517 423
Debt securities and other fixed-income securities	40 236	43 330	45 733	45 798	42 339
Shares and other variable-yield securities	10 095	10 000	10 540	10 094	9 965
Other assets	144 918	147 814	145 292	213 434	251 511
Liabilities to credit institutions	157 028	160 744	155 739	210 971	233 663
Liabilities to non-banks	390 407	414 379	430 436	463 095	488 997
Securitised liabilities	114 009	123 317	132 916	136 341	139 848
Other liability items	115 769	116 166	120 761	124 089	129 487
Sustainability of business activity (non-consolidated):					
Loan-to-deposit ratio (non-banks, in %)	107.2	107.5	108.8	96.0	94.7
Foreign currency loans (as % of loans to households)	10.9	9.5	8.3	6.8	5.5
Non-performing and irrecoverable loans (as % of total loans)	2.5	2.0	1.8	1.5	1.35
Net income in terms of sectors (non-consolidated, in € millions):					
Net income non-consolidated (sum total)[1]	5 137	5 636	4 714	2 250	6 210
– Joint stock banks	*1 225*	*1 457*	*667*	*458*	*707*
– Savings banks	*1 374*	*1 454*	*1 872*	*245*	*2 503*
– Mortgage banks	*150*	*182*	*141*	*149*	*198*
– Raiffeisen cooperatives	*1 935*	*2 004*	*1 575*	*1 070*	*2 227*
– Volksbank cooperatives	*77*	*81*	*110*	*32*	*57*
– Building societies	*64*	*89*	*79*	*54*	*157*
– Special-purpose banks[2]	*312*	*368*	*271*	*242*	*361*
Earnings situation (non-consolidated, in € millions)[1]:					
Net interest income	7 885	8 290	8 280	8 330	8 609
Operating income	18 848	18 646	18 801	18 259	19 926
Operating expenses	12 454	12 644	13 652	12 819	13 407
Operating result	6 394	6 003	5 150	5 439	6 519
Cost-income ratio (in %)	66.08	67.81	72.61	70.21	67.29

[1] Excluding branches from EEA countries in Austria (Article 9 BWG), credit guarantee banks and corporate provision funds.
[2] Excluding corporate provision funds and credit guarantee banks as specified in Article 5 no. 3 KStG.

***Chart 19:** Capital base 2017–2021 (as % of RWA)*

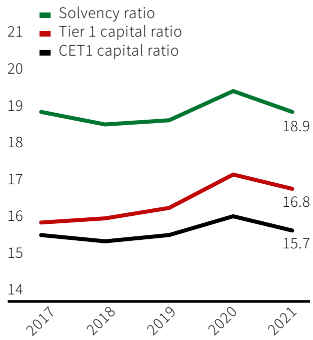
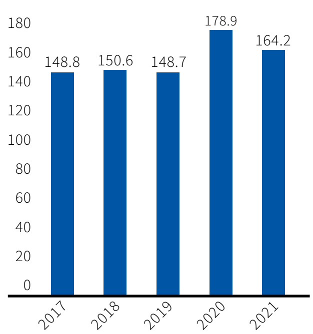


***Chart 20:** Liquidity coverage ratio 2017–2021 (in %)*



the reporting year (at the time of this report being prepared), representing a 19.8% increase on the previous year. Underlying this development is a significant rise in operating income (+9.1%) compared with the previous year, combined with operating expenses increasing less markedly (+4.6%). Following a mere 0.6% increase in 2020, net interest income grew by 3.3% in 2021. At 43.2%, net interest income continues to account for a high share of operating income.

For the financial year of 2020 as a whole, Austrian credit institutions posted net income of € 2.3 billion. In 2021, however, net income is forecast to be considerably higher, at about € 6.2 billion (the final figures were not yet available at the time of this report being prepared). The individual sectors performed consistently positively, despite the pandemic. After recording net income of € 0.3 billion in 2020, savings banks are expected to achieve the largest share of total net income in 2021, at € 2.5 billion, followed by Raiffeisen cooperatives and joint stock banks. Provisions for risk (value adjustments) amounting to € 0.5 billion were also released in the 2021 reporting year *(> Table 4)*.

CAPITAL BASE

At the end of 2021 the Austrian banking sector held a CET1 capital ratio of 15.7% *(> Chart 19),* which was slightly down compared with 2020. The reason for this is that, despite a rise in capital (+3.5%), risk-weighted assets (RWA) increased even more strongly over the same period (+6.7%). The liquidity ratio for 2021 continues to be solid at 164.2%, well above the minimum requirement of 100% *(> Chart 20)*.

INSURANCE UNDERTAKINGS

STRUCTURAL DEVELOPMENTS

As at the 2021 year-end, 78[1] insurance undertakings and mutual associations held a licence granted by the FMA and were operating in the Austrian market, two fewer than in 2020. Their number has dropped by 11 over the past five years. Additionally, 28 insurance undertakings from within the European Economic Area (EEA) were pursuing activities in Austria under the freedom of establishment or through a branch, and more than 1 000 companies were registered to provide services here.

The companies supervised by the FMA comprised 34 major insurance undertakings, six of which operate as mutual associations, 27 as joint stock companies and one as a foreign insurance undertaking licensed in Austria *(> Table 5)*. Additionally, 44 small mutual associations were also active in Austria; they are among Austria's oldest insurers and specialise mostly in fire insurance (around two thirds) and livestock insurance.

Austria is traditionally dominated by composite insurers which, besides life insurance, also pursue activities in at least one other balance sheet group, i.e. health insurance or non-life and accident insurance.

BUSINESS DEVELOPMENT

At the end of 2021 Austrian insurance undertakings were managing assets totalling € 116.7 billion, a rise of € 2.27 billion or +1.99% compared with the 2020 year-end. Investments for unit-linked and index-linked life insurance are not included in these figures.

[1] *Including Helvetia Schweizerische Versicherungsgesellschaft AG, Directorate for Austria.*

	2017	2018	2019	2020	2021
Legal forms:					
Mutual associations (excluding small mutuals)	7	6	6	6	6
Joint stock companies	30	29	29	28	28
Small mutual associations	49	49	47	45	44
Total	**86**	**84**	**82**	**79**	**78**
Mutual associations dealing in asset management/private foundations	6	6	6	6	6
Business areas:					
Life insurance	23	22	22	22	22
Non-life and accident insurance	32	30	30	29	28
Health insurance	9	9	9	10	10
Reinsurance only	2	1	1	1	1
Business areas small mutual associations:					
Fire insurance associations	33	32	30	29	29
Animal insurance associations	16	16	16	15	14
Death benefit funds	0	0	0	0	0
Reinsurance associations for small mutuals	0	1	1	1	1
Total assets at market values					
(excluding investments for unit-linked and index-linked life insurance, in € billions)	108.98	106.91	110.60	114.41	116.68
EEA insurers in Austria					
Operating through branches	29	30	29	28	28
Premiums written in Austria (direct gross amount, in € millions):					
Life insurance	5 782	5 574	5 424	5 360	5 390
– Unit-linked amd index-linked life insurance	*1 363*	*1 329*	*1 259*	*1 364*	*1 445*
Health insurance	2 139	2 230	2 340	2 433	2 541
Non-life and accident insurance	10 197	10 697	11 026	11 316	11 833
Total	**18 118**	**18 500**	**18 789**	**19 109**	**19 764**
Claims paid (in € millions):					
Life insurance	6 351	6 658	7 255	7 903	7 170
Health insurance	1 396	1 451	1 542	1 461	1 482
Non-life and accident insurance	6 484	6 436	6 528	6 573	7 893
Total	**14 231**	**14 546**	**15 324**	**15 937**	**16 545**
Earnings and profitability (in € millions):					
Technical account balance	581	506	618	554	766
Financial result	2 814	2 528	3 118	1 771	3 082
Result from ordinary activities	1 243	1 167	1 693	744	1 942
Return on sales (in %):					
Non-life/health	10.54	9.24	13.65	6.53	14.30
Life	0.82	1.85	1.71	–0.88	2.02
Health	5.84	3.52	4.31	2.29	6.13
Total	**6.87**	**6.31**	**9.03**	**3.90**	**9.87**

Table 5: *Key figures and market development of Austrian insurance undertakings 2017–2021*

The volume of domestic premiums written (gross amount) was up by 3.43% year-on-year, totalling € 19.76 billion *(> Table 5).*

With regard to life insurance, premium revenues were up by 0.56% year-on-year to € 5.39 billion. The proportion of premiums from unit-linked and index-linked life insurance has grown, amounting to 26.81% of all premiums written in life insurance (2020: 25.44%). Claims incurred dropped by 9.27% to € 7.17 billion in the reporting year; the equivalent figure for the previous year was € 7.90 billion. Non-life and accident insurance also showed an increase of € 11.83 billion, or 4.57%. Totalling € 7.89 billion, claims incurred grew by 20.08%. With premiums written of € 2.54 billion,

***Chart 21:** Breakdown of investments at market values (excluding unit-linked and index-linked life insurance; in %, rounded)*

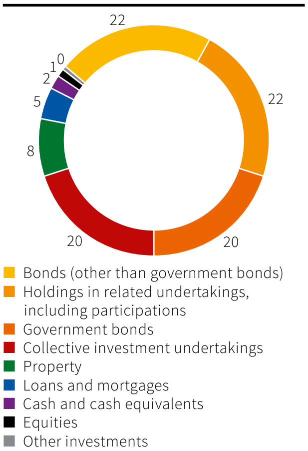
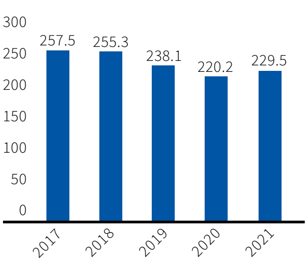


***Chart 22:** SCR ratio 2017–2021 (median, in %)*



health insurance achieved an increase of 4.43% on the previous year. Totalling € 1.48 billion, claims incurred were up by 1.43% in this group.

At 9.87%, the return on sales improved in the reporting year. The equivalent figure for 2020 was 3.90%. The result from ordinary activities was also higher in 2021, rising by 161.17% to € 1.94 billion. As far as investments are concerned, these continued to be clearly focused on interest-bearing securities *(> Chart 21),* while equity investments remained low.

CAPITAL BASE

The SCR (solvency capital requirement) ratio, depicting insurers' capital base, was good and stable in 2021, amounting to 229.5% (median) of minimum requirements on a sector-wide basis at the end of the reporting year *(> Chart 22)*, thus being above the level of 220.2% recorded in 2020.

PENSIONSKASSEN

STRUCTURAL DEVELOPMENTS

The process of consolidation in the pension company market has come to a halt. While the number of *Pensionskassen* (PK) dropped from 13 to eight between 2015 and 2019, it has remained unchanged in the past three years *(> Table 6).* There were five multi-employer and three single-employer *Pensionskassen*. Single-employer *Pensionskassen* are entitled to carry out pension company activities for the beneficiaries of only one employer or company group, with most of them having been founded as subsidiaries of international groups. Multi-employer *Pensionskassen* may carry out pension company activities for the beneficiaries of more than one employer.

The decline in their number between 2015 and 2019 can be attributed to single-employer *Pensionskassen* discontinuing activities and subsequently transferring their investment and risk sharing groups (IRGs) to existing multi-employer *Pensionskassen*. All Austrian *Pensionskassen* together managed the assets they were entrusted with in 99 IRGs, four security-oriented IRGs and 35 sub-IGs, each of which pursued different investment and risk strategies.

***Table 6:** Overview of pension company market 2017–2021*

	2017	2018	2019	2020	2021
Number of *Pensionskassen*	10	9	8	8	8
Number of investment and risk sharing groups	104	101	101	100	99
Number of security-oriented IRGs	4	4	4	4	4
Number of sub-IGs	34	34	34	34	35
Assets managed by *Pensionskassen* (total, in € millions)	22 323	21 404	24 295	24 969	26 976
– Single-employer	*1 880*	*1 920*	*2 052*	*2 167*	*2 279*
– Multi-employer	*20 442*	*19 484*	*22 243*	*22 801*	*24 697*
Number of beneficiaries (total)	924 107	947 545	979 637	994 752	1 015 452
– Single-employer	*255 632*	*261 562*	*263 842*	*263 259*	*262 985*
– Multi-employer	*668 475*	*685 983*	*715 795*	*731 493*	*752 467*
– Beneficiaries (entitled)	*825 778*	*843 569*	*868 229*	*875 728*	*887 953*
– Beneficiaries (recipients)	*98 329*	*103 976*	*111 408*	*119 024*	*127 499*
Beneficiaries (entitled) (as % of dependently employed persons in Austria)	21.97	22.12	22.20	22.70	23.22
Beneficiaries (recipients) (as % of total)	10.64	10.97	11.37	11.97	12.56

For the first time in the history of the Austrian pension company system, the number of beneficiaries has exceeded the one million mark: an additional 20 000 beneficiaries accounted for a 2.08 % increase on the previous year. This covers both those for whom contributions are being made into the pension company system for future benefits and those who are already receiving benefits under the system.
This means that almost one in four employed persons in Austria is entitled to a supplementary pension from this form of voluntary occupational pension provision, and approximately 13% of these beneficiaries are already drawing an occupational pension.

BUSINESS DEVELOPMENT

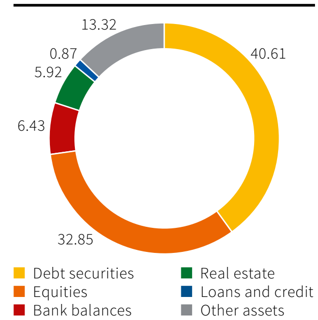
As at 31 December 2021, the Austrian *Pensionskassen* together managed assets of € 26.98 billion, representing an increase of around 8% on the previous year. This change in assets under management resulted for the most part from contributions, pension benefits, inflows of funds from newly concluded pension company contracts and the investment result.

***Table 7**: Investment performance of* Pensionskassen *2017–2021 (in %)*

	2017	2018	2019	2020	2021
Investment performance (total)	6.13	–5.14	11.63	2.49	7.65
– Single-employer	*4.14*	*–0.37*	*9.59*	*4.24*	*4.71*
– Multi-employer	*6.34*	*–5.58*	*11.82*	*2.33*	*7.93*

The average investment performance of *Pensionskassen* was up 2.49% in 2020, while rising by 7.65% in 2021 *(> Table 7).* Over the past three, five and ten-year periods, they recorded performances of +7.19%, +4.39% and +4.97% respectively.
The proportion of pension company assets held indirectly via investment funds is 96.73%. Split up into investment categories, equities made up the largest portion at 40.61%, followed by debt securities at 32.85%, bank balances at 6.43% and real estate at 5.92%. The remaining categories are loans and credits (0.87%) and other assets (13.32%). After taking currency hedge transactions into account, around 32.49% of assets were invested in foreign currency *(> Chart 23).*

***Chart 23**: Types of investment by* Pensionskassen 2021 *(in %)*



CORPORATE PROVISION FUNDS

Corporate provision funds are engaged in the business of corporate provision for employees and the self-employed in Austria. For employee provision, each employer must pay a regular contribution of 1.53% of the monthly salary and any special payments to the employee's health insurance institution, which then forwards that contribution to the corporate provision fund in order to fund the employee's indidual severance pay entitlement. Some self-employed people are required to conclude their own contract with a corporate provision fund, while participation in the scheme is voluntary for certain self-employed professions and occupations such as lawyers, notaries public, chartered engineering consultants, farmers and foresters.
The number of corporate provision funds has remained unchanged in the reporting year: as in previous years eight such funds were active in Austria. Two of these funds each manage two collective investment undertakings. The remaining funds each manage one collective investment undertaking, giving a total of ten such undertakings *(> Table 8).*

	2017	2018	2019	2020	2021
Number of corporate provision funds	8	8	8	8	8
Number of collective investment undertakings	10	10	10	10	10
Number of membership contracts	1 351 933	1 386 884	1 451 362	1 514 670	1.595 373
– Provision for employees pursuant to Part 1 BMSVG	*666 234*	*662 349*	*689 411*	*715 092*	*742 674*
– Provision for the self-employed pursuant to Part 4 BMSVG	*672 620*	*711 278*	*748 544*	*786 609*	*838 892*
– Provision for the self-employed pursuant to Part 5 BMSVG	*13 079*	*13 257*	*13 407*	*12 969*	*13 807*
Assets of corporate provision funds (in € millions)	10 610	11 496	13 304	14 489	16 524
Current contributions (in € millions)	1 476	1 606	1 722	1 777	1 853
Performance of corporate provision funds (in %)	2.18	–1.97	5.74	1.41	4.05
Disposal options (in € millions):					
Payout as capital sum	488.12	526.44	586.93	719.03	668.71
Transfer to another corporate provision fund	34.92	65.86	43.50	50.86	53.36
Remittance to supplementary pension or occupational group insurance scheme	0.06	0.11	0.01	0.05	0.01
Remittance to a *Pensionskasse*	1.51	1.79	2.26	2.15	2.79
Total	**524.61**	**594.20**	**632.70**	**772.09**	**724.87**

Table 8: *Key figures and market development of corporate provision funds 2017–2021 (source: Platform of corporate provision funds)*

As at the reporting date, the number of membership contracts – measured on the basis of employer account numbers – had increased by 5.33% from 1 514 670 to 1 595 373. Provision for employees rose by 3.86% (from 715 092 to 742 674 contracts), and provision for the self-employed grew by 6.64% (from 799 578 to 852 699 contracts).

BUSINESS DEVELOPMENT

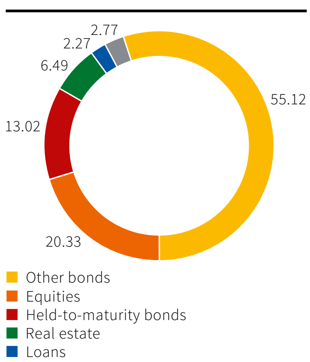
Corporate provision funds received current contributions totalling € 1.85 billion (+4.27% on the previous year) during the year under review, of which € 1.72 billion (+3.82%) was paid into the provision for employees and € 131.53 million (+10.68%) into self-employed provision. The total assets managed therefore climbed to € 16.5 billion. Assets under management by corporate provision funds increased by € 2.03 billion, or 14.04%, to € 16.5 billion *(> Table 8).*

A total of € 668.71 million was paid out as a capital sum to 433 229 beneficiaries (entitled) in 2021. Over the same period, 41 827 beneficiaries (entitled) transferred their pension entitlements to another corporate provision fund, moving an amount of € 53.36 million. Additionally, 567 individuals remitted a total of € 2.80 million to a *Pensionskasse*, or to a supplementary pension insurance or occupational group insurance scheme. Amounts drawn on the basis of an entitlement to severance pay generally took the form of capital sums, as has been the case for the past five years.

Corporate provision funds are required to guarantee their beneficiaries (entitled) a minimum claim. This encompasses the nominally accrued severance pay contributions and any transferred existing severance pay entitlement, as well as any severance pay entitlements transferred from another corporate provision fund, and is also referred to as capital guarantee. Every corporate provision fund is free to offer a higher interest guarantee over and above this capital guarantee. One fund offered such an interest guarantee in 2021.

The capital guarantee, coupled with fluctuating payment requirements owing to labour market developments, as well as the statutory requirement to take account specifically of security, profitability and liquidity, mean that asset allocation is focused on bonds *(> Chart 24).*

Chart 24: *Types of investment by corporate provision funds in 2021 (in %)*



Corporate provision funds' average performance for their investments was up by 4.05% in the reporting year (2020: +1.41%).

ASSET MANAGERS

STRUCTURAL DEVELOPMENTS

As at the end of the year, a total of 14 investment fund management companies (KAG) were operating in the Austrian market based on a licence pursuant to the Investment Fund Act 2011 (InvFG 2011; *Investmentfondsgesetz*); this number has not changed over the past two years. The process of consolidation has panned out in this sector, after the number had continually declined from 21 between 2016 and 2019. Of these 14 investment fund management companies, 13 also held a licence as an alternative investment fund manager (AIFM).

All in all, 56 AIFMs (2020 year-end: 54) had been authorised by the FMA at the end of 2021, 22 of which were licensed as AIFMs, with the remaining companies only being registered.[2] Compared with 2020, the number of licensed AIFMs has fallen by one. The number of registered AIFMs rose during the period under review from 31 to 34 AIFMs, with five new AIFMs being registered and two companies cancelling their registration. Three registered AIFMs were additionally licensed to manage European Venture Capital Funds (EuVECA) and one company cancelled their respective licence, increasing the number of EuVECA managers from ten to twelve *(> Figure 2).*

As at the reporting date of 31 December 2021, there were 2 055 funds being managed by Austrian investment fund management companies and/or AIFMs, as well as two further EEA management companies operating in Austria based on the EU passport regime (2020: 2 018). This figure includes 55 alternative investment funds (19 of these AIFs are EuVECA funds) that are managed by registered AIFMs in Austria. Five Austrian real estate investment fund management companies (Immo-KAG) were managing a total of nine real estate funds and five special real estate funds, all of which were AIFs.

Table 9: *Number of Austrian asset managers 2017–2021*

	2017	2018	2019	2020	2021
KAG pursuant to InvFG 2011	18	16	14	14	14
Licensed AIFMs	25	23	23	23	22
– Immo-KAG pursuant to ImmoInvFG	*5*	*5*	*5*	*5*	*5*
Registered AIFMs	24	27	28	31	34
– EuVECA managers	*6*	*7*	*9*	*10*	*12*

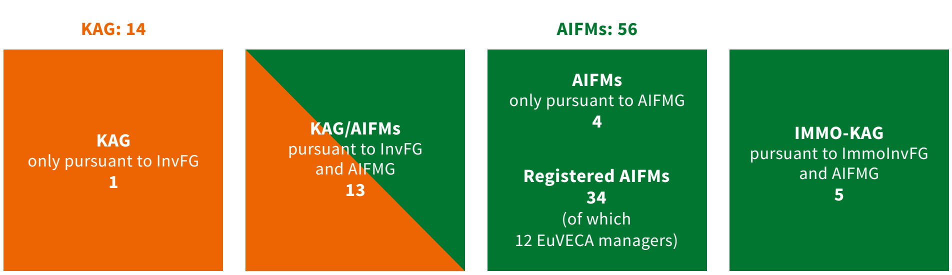


Figure 2: *Authorisations of Austrian asset managers in 2021 by law*

[2] *In order to be allowed to manage AIFs, the alternative investment fund manager must be licensed as an AIFM in accordance with the AIFMG, which transposes Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMD) into Austrian law. However, if the AIFM does not exceed certain threshold values with regard to the assets they manage, they may simply register their services instead of obtaining a licence. In this context it should be noted that registered AIFMs are not permitted to market any AIFs to retail investors, or to engage in cross-border marketing or cross-border management.*

Table 10: *Key figures of the Austrian investment fund market 2017–2021*

	2017	2018	2019	2020	2021
Domestic UCITS of KAG:					
Article 2 paras. 1 and 2 InvFG	995	977	907	905	903
Article 75 InvFG	2	2	1	–	–
Total	**997**	**979**	**908**	**905**	**903**
Domestic AIFs of (Immo-)KAG as well as of licensed and registered AIFMs					
Article 166 InvFG	152	143	131	116	113
Article 168 et seq. InvFG	9	7	6	4	4
Real estate funds and special real estate funds	13	13	13	13	14
Special funds pursuant to the InvFG	875	894	913	932	965
AIFs of registered AIFMs	32	34	37	35	36
EuVECA	6	8	11	13	19
Other managed AIFs	–	–	–	–	1
Total	**1 087**	**1 099**	**1 111**	**1 113**	**1 152**

The number of domestic funds has continually fallen over the past five years, from 995 in 2017 to 903 in 2021. At the same time, the number of AIFs has continually risen, from 1 087 to 1 152. A detailed breakdown is shown in *Table 10.* Undertakings for collective investment in transferable securities (UCITS) are investment funds that comply with the relevant EU directive[3].

Investment funds are required, pursuant to the provisions of the InvFG 2011 and the Alternative Investment Fund Managers Act (AIFMG; *Alternatives Investmentfonds Manager-Gesetz*), to keep the assets they hold and manage for customers at custodian banks and depositaries. In 2021, 14 credit institutions were operating in this field of business, one less than in the previous year.

BUSINESS DEVELOPMENT

The 14 investment fund management companies licensed by the FMA pursuant to the InvFG 2011 and the two EEA management companies acting under the EU passport regime managed fund assets totalling € 218.82 billion in Austria as at 31 December 2021, excluding the fund assets managed by real estate investment fund management companies. This equates to a year-on-year increase of € 26.92 billion, or +14.03%. After the notable decline in 2018, significant growth was reported in the past three years and another all-time high reached in the reporting year despite the ravages of the COVID-19 pandemic *(> Chart 25).*

There were considerable net inflows of funds during 2021, totalling € 14.22 billion, compared with a total of € 5.97 billion in 2020. Broken down by fund category, it was primarily mixed funds that recorded a marked increase (+€ 9.71 billion), followed by equity funds (+€ 3.31 billion) and bond funds (+€ 1.10 million). Short-term bond funds were in fourth place (€ 83.21 million), followed by derivative funds (€ 23.12 million) and hedge funds of funds (€ 11.67 million) *(> Chart 26).*

The dominant position of mixed funds is reflected, as in the previous five years, not just in net inflows but also in the overall distribution of total fund assets. As at the end of 2021, € 105.88 billion or 48.39% of the total assets was invested in this category, with bond funds occupying second place with € 62.44 billion or 28.54%. Equity funds were in third place, at € 44.09 billion or 20.15%, followed by short-

[3] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

Chart 25: *Assets of investment funds 2017–2021 (in € billions)*

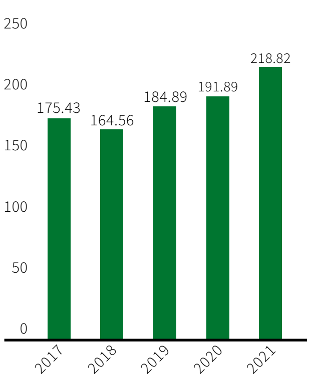


Chart 26: *Net growth/net outflows in 2021 by investment category (in € millions)*

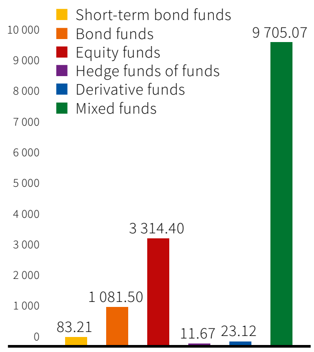


Chart 27: *Fund assets by investment category (as at 31 Dec. 2021, in %)*

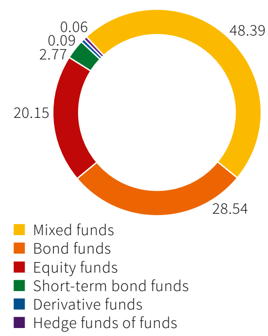
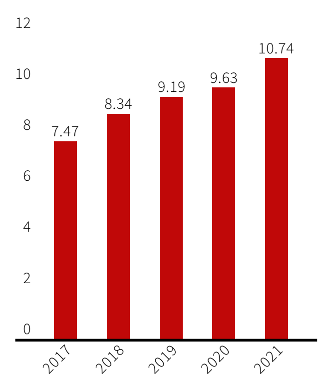


Chart 28: *Fund assets of real estate funds 2016–2020 (in € billions)*



term bond funds (2.77%), derivative funds (0.09%) and hedge funds of funds (0.06%) *(> Chart 27).*

Broken down by target group, 52.11% of shareholders were invested in retail funds and 47.89% in special funds at the 2021 year-end.

These figures also include AIFs as defined in the InvFG 2011, such as special funds and other special assets.

AIFMs who are only licensed or registered according to the AIFMG managed fund assets of Austrian AIFs amounting to € 1.1 billion as at 31 December 2021 (based on provisional figures at the time of this report being prepared).

As at the reporting date of 31 December 2021, the five Austrian real estate investment fund management companies were managing fund assets of € 10.74 billion, representing a year-on-year increase of 11.51% *(> Chart 28).*

INVESTMENT SERVICE PROVIDERS

STRUCTURAL DEVELOPMENTS

As at the end of 2021, there were 126 companies licensed by the FMA, 64 of which as investment firms and 47 as investment service providers. Three AIFMs and eight investment fund management companies held an additional licence pursuant to the Securities Supervision Act 2018 (WAG 2018; *Wertpapieraufsichtsgesetz*). Four insurance undertakings were authorised to receive and transmit fund units in accordance with the applicable law. The number of providers has therefore remained relatively stable, with the breakdown by licence type also remaining unchanged *(> Table 11).*

Of all the licensed companies, 120 were entitled to provide investment advice relating to financial instruments and 54 investment firms were authorised to manage client portfolios. In all, 114 investment firms and investment service providers were authorised to receive and transmit orders to the extent that such activity involves one or more financial instruments. As at the end of the reporting year, 44 Austrian investment firms held a European passport for the provision of investment services within the European Economic Area, with seven of these companies maintaining branches in the EEA.

In 2021 there were 1 023 investment firms with their head offices situated in another EEA Member State that were authorised to provide investment services in Austria

	2017	2018	2019	2020	2021
All companies	**114**	**109**	**122**	**126**	**126**
Licences:					
Investment firms	60	61	65	64	64
Investment service providers	51	45	43	48	47
AIFMs with additional licence	3	3	3	3	3
Investment fund management companies with additional licence	–	–	7	7	8
Insurance undertakings (statutory fund management)	–	–	4	4	4
Investment advice	111	106	115	120	120
Portfolio management	41	40	51	54	54
Receipt and transmission of orders	108	103	111	114	114
Multilateral trading facility	0	0	0	0	0
European passport for services	44	43	44	45	44
European passport for branches	7	8	7	7	7
Cooperation with financial services assistants/securities brokers	62	58	56	57	56
Legal form:					
Joint stock companies (AG)	7	7	12	12	12
Limited liability companies (GmbH)	90	86	95	96	97
Partnerships	3	3	3	2	2
Sole traders	14	13	12	16	15
Business activity:					
Investment advice	57	57	47	61	62
Portfolio management	31	35	37	41	37
Receipt and transmission of orders	72	68	64	61	56
Investment funds advisory					
UCITS advisory	23	24	21	25	21
AIF advisory	6	6	8	12	9
External management of investment funds					
UCITS management	21	22	23	26	21
AIF management	12	14	17	19	17
Appointment of tied agents	34	36	36	39	39
Cooperation with securities brokers	29	26	24	21	20
Sale of own products	49	49	47	44	47
Key account customer services	34	34	33	35	37

Table 11: *Key figures of Austrian investment service providers 2017–2021*

under the freedom to provide services by way of a branch or notification through the passport regime. This equates to a year-on-year decline of 65.65%, and is a reflection of the impact of Brexit. Of those firms that had provided notification of their operations in Austria, 267 (26.1%) came from Germany, followed by 231 (22.65%) from Cyprus and 81 (9.74%) from the Netherlands.

A total of 1 508 individuals were registered as tied agents with the FMA and working for 30 Austrian investment firms and investment service providers; 19 tied agents were registered at nine investment firms from the EEA based in Austria, 326 natural and legal persons were registered as tied agents at four Austrian banks and at one bank originating from the EEA, and a further 21 natural and legal persons were registered as tied agents at an Austrian insurance company. Regarding companies, there were 257 registered with the FMA as tied agents and operating in the form of a legal entity in 2021.

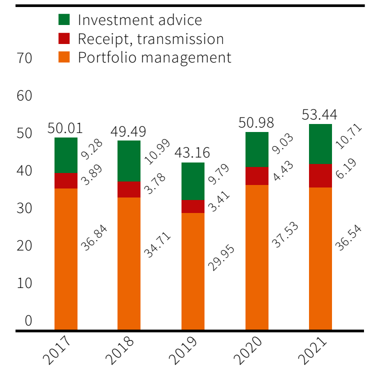
A total of 56 Austrian investment firms and investment service providers were entitled to provide services through securities brokers. Of these, only 20 actually exercised the right granted to them. As at 31 December 2021, 383 individuals acting as securities brokers for investment firms or investment service providers were registered with the FMA.

BUSINESS DEVELOPMENT

Overall, Austrian investment service providers managed assets totalling € 53.44 billion in 2021, representing a year-on-year increase of € 2.46 billion. The number of customers grew by 3.1%, from 137 498 to 141 719, while the assets under management per customer rose by 1.71% to € 377 089.06.

More than 85% of the total assets under management related to the services of portfolio management, fund advisory and third-party management. Third-party management covers collective portfolio management activities that investment fund companies and AIFMs outsource to investment firms. Portfolio management accounted for 57% of the generated sales revenues.

***Chart 29:** Customer assets under management by type of service 2017–2021 (in € billions)*



THE FMA IN DIALOGUE

Maximum transparency strengthens democratic legitimacy and improves understanding and acceptance of official actions. The FMA has therefore always endeavoured to engage in transparent and open communication. The Authority is committed to the principles of preventive information, and views itself as an information hub for all participants in the Austrian financial market.

In its active communication, the FMA focused on three topics during the reporting year:

- Proactive handling of the challenges created by the pandemic and the economic impact of COVID-19 for all financial market participants
- Preparing and supporting financial market participants in their transition to sustainable business models and financial products, as well as identifying, limiting and managing sustainability risks
- Addressing the opportunities and risks arising from the digitalisation of financial markets, in particular in relation to cryptoassets, which are still mostly under the regulatory radar.

With a focus on target groups, the FMA placed a special emphasis on consumer information in 2021. New media were developed, new channels were opened up, and the existing content was expanded and deepened (more details can be found in the chapter on collective consumer protection on page 74).

PUBLIC RELATIONS CHANNELS

The FMA's key media channels are:

- The Annual Report, which reviews developments on the financial markets, the FMA's supervisory activity and regulatory developments during the past year.
- The Facts and figures, trends and strategies publication, also produced annually, which looks ahead to the expected medium-term development of risk, sets out future challenges, and provides transparent information on the FMA's priorities for supervision and inspections for the coming year.
- The FMA website (www.fma.gv.at), containing up-to-date information and explanations on all matters relevant to regulation and supervision, as well as any breaking news.

CLASSIC PRESS RELATIONS

The FMA published 58 press releases (2020: 63) and 112 investor warnings (2020: 85) in 2021. The latter warn of dubious providers in the Austrian financial market and are also published in the official gazette "Amtsblatt zur Wiener Zeitung", via Twitter and the FMA app.

In addition to dealing with current issues, the FMA's press releases covered 21 quarterly reports and two other reports dedicated to developments in the past year, providing explanations of the most significant results. These reports and studies dealt with the insurance, pension company and asset management markets, as well as developments in foreign currency lending and state-sponsored retirement provision.

At four press conferences, the Executive Directors reported on current issues and took questions from business journalists. On 23 January, at the Economic Writers' Club, the FMA Executive Directors presented the latest regulatory developments and future supervisory requirements, and discussed the regulatory and supervisory challenges presented by cryptoassets. At its Financial Statement Press Conference on 11 May, the FMA presented the Annual Report 2020, which had already been duly submitted to the Austrian National Council on time. At a press luncheon during the FMA Supervision Conference on 20 October, the Executive Directors exchanged ideas with ECB Board Member Frank Elderson about the financial system's contribution to fighting climate change. Finally, at an online press talk on 16 December, the Executive Directors presented the annual Facts and figures, trends and strategies 2022 publication and the FMA's priorities for supervision and inspections in 2022.

DIGITAL COMMUNICATON

WEBSITE & NEWSLETTER

The FMA website provides a broad range of information aimed at supervised companies and consumers. More than 330 articles were added to the News section alone during the reporting year. Furthermore, a dedicated COVID-19 section on the FMA website provided regular updates on the latest coronavirus measures. For the target group of consumers, the "A-Z of Finance" first published on the website in the previous year was further expanded. A new digital consumer information format was also developed in the reporting year: "Let's talk about money", an information sheet limited to two downloadable pages, which regularly delves into a topic relating to the financial needs of end consumers and presents it in clear and simple language. A separate subpage was set up for this format.
Subscribers to the FMA newsletter are regularly informed about current regulatory and supervisory developments, receiving ten such issues in 2021.

TWITTER & LINKEDIN

The FMA uses two social media channels, Twitter and LinkedIn. The Authority tweeted 197 times in 2021 and grew its number of followers by 20% to nearly 2 000. On LinkedIn, it increased its number of followers by 155% to more than 5 500 and posted 62 times during the reporting year.

FMA APP

The FMA has its own app, which can be downloaded free of charge. It enables users to check, via their mobile phone, whether a company or person is authorised to provide financial services that require a licence. If an investor warning has been published in relation to a company or person, this information will also be available in the app or will be displayed in the form of a push notification.

DIALOGUE WITH STAKEHOLDERS

The FMA embodies its role as an information hub by engaging with the supervised entities and stakeholders in a range of institutionalised formats and forums, discussing and informing them about the latest regulatory and supervisory developments. These formats include events such as the annual Supervision Conference, the SFTR Forum, the Compliance and Prevention of Money Laundering practice workshop and the ESG dialogue with insurance undertakings. The FMA organised 16 such events in 2021. The FMA Executive Directors and employees also regularly attend conferences, conventions and seminars as presenters and delegates to inform interested professionals.

12TH FMA SUPERVISION CONFERENCE

The 12th FMA Supervision Conference was held on 20 October 2021 and dedicated to the general topic "Sustainable ways out of the crisis". Owing to the pandemic, the event was held in a hybrid format for the first time; around 600 participants attended in person at the convention centre and another 2 800 took part online. The Conference focused on the impact and challenges of the COVID-19 pandemic for financial markets, their special role in overcoming the crisis and how this can be achieved in light of the need to realign our economy towards greater sustainability as a consequence of climate change.

INTERNATIONAL COOPERATION

Austria's accession to the European Union in 1995 and its resulting participation in the European internal market have hugely boosted the internationalisation of the Austrian financial market and the providers that operate in it. Today, Austrian banking groups have 50 fully consolidated subsidiary banks in Central, Eastern and South-Eastern Europe (CESEE) alone, accounting for total assets of € 270.7 billion, € 25 billion of which in the countries in the Commonwealth of Independent States (CIS) including Ukraine at 9.3%. In addition to Austria, national insurance undertakings operate in 27 countries, generating approximately 42% of their aggregate premium volume there. In 2021 nearly 10 000 foreign investment funds were licensed for sale in Austria. And these are just some significant examples that demonstrate the extent of the international interconnections on the Austrian financial market.

European integration and the international interconnection of financial markets and their providers require a high degree of cross-border cooperation in regulation and supervision. As the integrated supervisory authority for the Austrian financial market, the FMA is therefore a member of many different transnational, European and global organisations and associations that deal with the regulation and supervision of financial markets. The FMA enters into Memoranda of Understanding (MoU) and is represented in many bodies and working groups. The Authority is thus actively involved in the advancement of regulation as well as in targeted supervisory activities across national borders. Needless to say, cooperation is particularly strong within the European Union, and even more so among those countries that share the euro as their common currency.

EUROPEAN COOPERATION

COOPERATION IN OPERATIONAL SUPERVISORY ACTIVITIES

THE FMA AND THE BANKING UNION

The European Banking Union is a key component of the EU's Economic and Monetary Union. It was created in response to the 2008 financial crisis and the ensuing sovereign debt crisis in the euro area. The Banking Union aims to ensure that the banking sector in the euro area and the wider EU is stable, safe and reliable, thus contributing to financial stability, while also ensuring that:

- Banks are robust and able to withstand any future financial crises

- Non-viable banks are resolved without recourse to taxpayers' money and with minimal impact on the real economy
- Market fragmentation is reduced by harmonised financial sector rules.

The Banking Union is made up of all Member States whose currency is the euro. Member States that do not belong to the euro area may join the Banking Union by entering into close cooperation with the European Central Bank (ECB). Bulgaria and Croatia are the first two non-euro area Member States with which the ECB established close cooperation, doing so on 1 October 2020.

The Banking Union is based on a single rulebook for the EU's financial sector. This rulebook consists of a set of legislative texts that apply to all financial institutions across the EU, thus ensuring a level playing field for all. Based on this foundation, the Banking Union consists of three pillars:

- The Single Supervisory Mechanism (SSM), the joint banking supervision of all euro area countries overseen by the ECB in Frankfurt, which relies on the network of national competent authorities
- The Single Resolution Mechanism (SRM), which is made up of the Single Resolution Board (SRB) in Brussels and the national resolution authorities
- The European Deposit Insurance Scheme (EDIS).

While the SSM and SRM are already fully operational, the EDIS is still in the development stage. At present, deposit guarantees are harmonised in Europe through national deposit guarantee schemes being required to meet and implement common European minimum standards and requirements.

As a euro area country, Austria is a member of the European Banking Union. In its capacity as national competent authority (NCA) and national resolution authority (NRA), the FMA represents the Austrian financial market as a voting member and is actively involved at all relevant levels within the SSM and the SRM.

THE FMA WITHIN THE SSM

Seven Austrian banking groups were classed as significant institutions (SIs) within the SSM in 2021. They, and three Austrian subsidiary banks, were thus subject to direct supervision by the ECB within the SSM: Addiko Bank AG, Bawag Group AG, Erste Group Bank AG, FCA Bank AG, Raiffeisen Bank International AG, Raiffeisenlandesbank Oberösterreich AG, Santander Consumer Bank GmbH, Sberbank Europe AG[1], UniCredit Bank Austria and Volksbank Wien AG.

Joint Supervisory Teams (JSTs) are set up for the SIs, with FMA and Oesterreichische Nationalbank (OeNB) employees also included among its members. All other Austrian banks are only supervised indirectly by the ECB. Classed as less significant institutions (LSIs), they are directly supervised by the FMA, again with support from the OeNB. However, key decisions (such as the award or removal of a licence, major holdings) are made by the ECB.

In the 2021 reporting year, 370 Austrian credit institutions classed as LSIs were subject to direct supervision by the FMA.

THE FMA WITHIN THE SRM

In 2021 there were eight Austrian banking groups and three Austrian subsidiary banks,

[1] *An administrative decision was issued by order of the European Central Bank on 1 March 2022, fully prohibiting Sberbank Europe AG from continuing business operations with immediate effect.*

the above significant banks and another cross-border group, namely Bausparkasse Wüstenrot AG, under the direct responsibility of the SRB as the resolution authority. Addiko Bank AG, Bausparkasse Wüstenrot AG, Bawag Group AG, Erste Group Bank AG, FCA Bank AG, Raiffeisen Bank International AG, Raiffeisenlandesbank Oberösterreich AG, Santander Consumer Bank GmbH, Sberbank Europe AG, UniCredit Bank Austria and Volksbank Wien AG. In the same vein as the JSTs, Internal Resolution Teams (IRTs) are set up for these banks, and the FMA plays a significant role within them. As in the case of the SSM, the FMA is also directly responsible for all other credit institutions within the SRM, this time in the capacity of national resolution authority.

Across both the SSM and SRM, the FMA was represented in a total of 70 bodies and working groups during the year under review, working on joint policies and supervisory approaches. The decision-making bodies were also involved in approximately 1 400 supervisory cases and some 80 resolution cases.

Specific operational activities of the FMA within the SSM and the SRM are included in the relevant chapters of this report.

COOPERATION IN ADVANCING THE REGULATORY FRAMEWORK

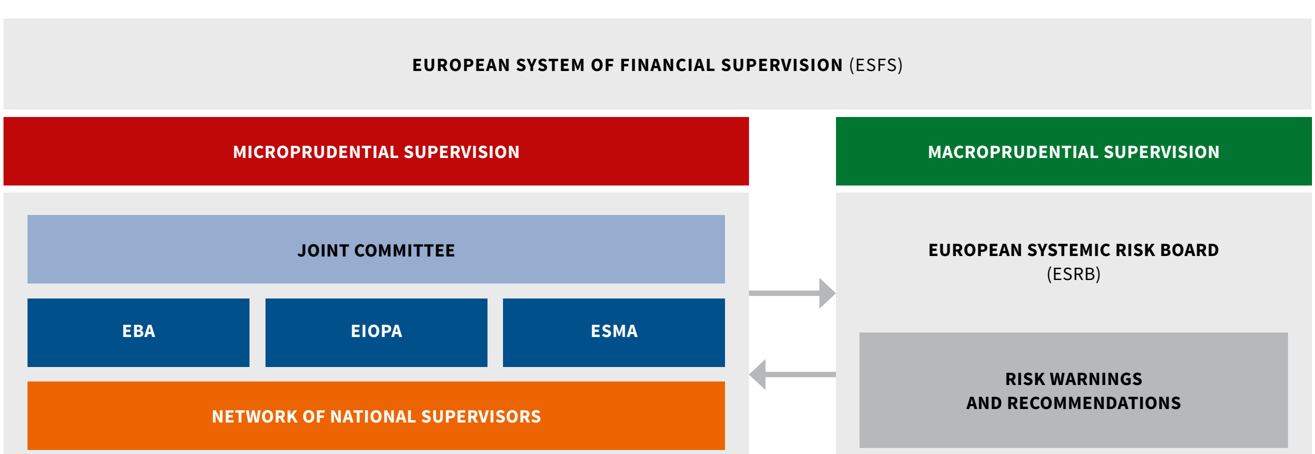
THE FMA WITHIN THE ESFS

While the SSM and the SRM ensure that operational banking supervision, bank recovery and resolution are carried out jointly for all countries that share the euro as their currency, the European System of Financial Supervision (ESFS) is primarily concerned with harmonising and advancing the regulatory framework of the financial market in the entire European Economic Area (EEA), i.e. all EU Member States and those countries that cooperate closely with the EU.

At the core of the ESFS are the three European Supervisory Authorities (ESAs): the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). The FMA has a seat and a vote in all of the three ESAs, representing Austria in its capacity as national competent authority (NCA).

The role of the ESAs is to prepare detailed regulations in the form of technical standards, guidelines and recommendations on the basis of EU regulations and directives and to ensure the convergent application of these rules by the national supervisors.

Figure 3: *European supervisory architecture*



Only ESMA has direct supervision tasks in some very specific areas, such as credit rating agencies. A Joint Committee is in place to deal with issues that straddle all three areas of those authorities' supervisory activities.
The three ESAs, with their microprudential focus, are supported by the European Systemic Risk Board (ESBR), based at the ECB in Frankfurt. Its remit is to identify systemic risks to the European financial system and take early action, where necessary.

JOINT ESA PROJECTS

The three ESAs are coordinated by a Joint Committee and cooperate closely across markets and sectors: to ensure a level playing field, i.e. fair competition beyond market and product boundaries, and to exploit synergy potential and make regulation efficient and effective. In the year under review the three ESAs focused on four topics in particular:

- Sustainable finance, i.e. restructuring the financial system to support the global economy's sustainability, specifically by including ESG (environmental, social and governance) factors in financial players' decisions.
- Digital finance, i.e. using digitalisation in all financial market functions strategically, as well as addressing the specific challenges posed by the digital transformation.
- Improved consumer protection, for example by ensuring that financial products that fulfil the same purpose for investors come with standardised, meaningful and comparable information to enable informed investment decision-making, such as in the form of standardised key information documents for packaged retail and insurance-based investment products (PRIIPs).
- Independence reports, with which the ESAs evaluate, monitor and support the independence of European and national supervision institutions.

Sustainable finance

In 2021 the Joint Committee prepared a number of guidelines and legal acts (level 2 measures) on sustainability in the financial sector and submitted them to the European Commission. Of particular relevance are the second delegated act on the Sustainable Finance Disclosure Regulation (SFDR)[2] specifying the content, methodologies and presentation of mandatory ESG disclosures under SFDR, and the draft regulatory technical standards (RTS) on disclosures pursuant to the Taxonomy Regulation[3] relating to financial products that make sustainable investments that qualify as contributing to environmental objectives.

Digital finance

The European Commission's Digital Finance Strategy of September 2020 aims to examine the existing regulatory framework in order to minimise the challenges and risks with digital transformation in the financial industry and to protect customers. To this end, the Commission requested technical advice from the ESAs following a public call for evidence on the following issues: non-integrated value chains arising as a result of the growing reliance on third parties, digital platforms and mixed activity groups.

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[2] *Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.*
[3] *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.*

PRIIPs

The PRIIPs Regulation prescribes that a uniform key information document consisting of a maximum of three pages be drawn up for a broad range of financial products (packaged financial instruments within the meaning of the MiFID, life insurance products and structured deposits). The related Commission Delegated Regulation is based on a proposal by the three ESAs, with the European Commission having agreed to conduct a comprehensive review of whether the originally intended objectives are being achieved. The three ESAs received a call for advice on 27 July 2021 to prepare such a review. The ESA input will also include aspects such as multi-option products and past performance; these aspects are not covered by the call for advice but are still considered important.

Independence reports

The ESA founding regulations require ESAs to foster and monitor supervisory independence, among other things. On 18 October 2021 the ESAs published their individual reports, and the Commission can now use these reports as input for its own report on the independence of competent authorities that it is preparing. The reports take stock of the factual situation on aspects of operational, financial and personal independence as well as accountability and transparency. EIOPA published criteria for the assessment of the degree of independence in September 2021. EBA and ESMA are in the process of developing their own criteria.

EUROPEAN BANKING AUTHORITY – EBA

In the year under review, the EBA and ECB conducted an EU-wide stress test, under a very severe scenario, of 89 European banks. The tests involving Austrian banks were carried out in close cooperation with the OeNB and FMA. The results prove EU banks' increased resilience to crises. By reducing non-performing loans and cutting costs, banks were able to withstand a substantially more severe scenario than in the 2018 stress test.

The EBA also completed a study of the cost of compliance with supervisory reporting requirements and made recommendations for reducing these costs.

Furthermore, the EBA developed an assessment methodology for applying the principle of proportionality in regulation and supervision. Whether there is need for proportional treatment will be determined on the basis of four pre-defined classifications (international activity and systemic importance, business model, size and complexity of credit institutions, business models of investment firms) as well as pre-defined metrics. The methodology should help with impact assessments when regulations are being reviewed or prepared.

On 25 February 2021, FMA Executive Director Helmut Ettl was elected as a member of the EBA Management Board.

EUROPEAN SECURITIES AND MARKETS AUTHORITY – ESMA

In 2021, ESMA reviewed the Money Market Funds Regulation (MMFR), the Markets in Financial Instruments Directive (MiFID II)/Markets in Financial Instruments Regulation (MiFIR) and the Central Securities Depositories Regulation (CSDR). In the case of MiFID II/MiFIR, this review concerned reporting requirements, SME growth markets and the functioning of organised trading facilities (OTFs). ESMA also published a report on data quality under the European Markets Infrastructure Regulation (EMIR) and the

Securitised Financing Transactions Regulation (SFTR). ESMA will undertake additional efforts to further improve data quality and, as far as possible, make that data available to the public.

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY – EIOPA

Identifying and implementing the strategic priorities of Union-wide relevance pursuant to Article 29a of the EIOPA Regulation (development of business models, product design and approval) as well as other activities laid down in its Supervisory Convergence Plan made up most of the EIOPA work programme in 2021. Sustainability and cyber risk were further key areas of EIOPA's work, as was the digital revolution.

In the field of conduct of business oversight, EIOPA published a Report on the application of the Insurance Distribution Directive (IDD) as well as a Supervisory statement on assessment of value for money of unit-linked insurance products.

EIOPA also completed work relating to the pan-European Personal Pension Product (PEPP). The full set of rules has meanwhile been published and is applicable from 22 March 2022.

EIOPA also provided technical advice for a Solvency II review in the form of an Opinion, on which the European Commission based its review proposal. The Authority then provided further input on those proposals that deviated from its advice in the Opinion for consideration in the ongoing legislative process. In this context, EIOPA adopted a proposal for an Insurance Recovery and Resolution Directive (IRRD), but did not submit any proposal on a minimum harmonisation of national insurance guarantee schemes.

EUROPEAN SYSTEMIC RISK BOARD – ESRB

The ESRB discussed the vulnerabilities in the real estate sector caused by recent developments, analysed money market funds, prepared a report on cyber incidents, looked into the systemic importance of commercial credit intermediaries, and evaluated the effectiveness and revision of macroprudential policy in the EU, also in relation to non-bank financial intermediation. Based on these insights, it then made relevant recommendations.

SINGLE SUPERVISORY MECHANISM – SSM

The final methodology for the 2022 climate risk stress test was adopted. As part of the 2021 Supervisory Review and Evaluation Process (SREP), a pragmatic solution for the new Pillar 2 Guidance (P2G) methodology was adopted. Furthermore, necessary changes were made to the SREP 2021 methodology regarding less significant institutions (LSIs). In connection with the COVID-19 pandemic, ECB Banking Supervision decided not to extend its recommendation to suspend dividends beyond September 2021. Finally, the Fit and proper enhancement package was adopted.

SINGLE RESOLUTION MECHANISM – SRM

The Single Resolution Board (SRB) achieved a number of milestones in 2021 relating to the operationalisation of resolution plans and the assessment of banks' resolvability. These include the development and implementation of policies on public interest assessments that determine whether resolution in a systemic scenario is in the public interest, as well as on resolvability assessments that feed into an SRB heat map reflecting banks progress in removing impediments to resolvability. In addition, operational guidance was published for banks, e.g. on the separability of business lines, portfolios and legal entities for the application of resolution tools within the scope of transfer strategies. The SRB also launched a consultation on Single Resolution Fund (SRF) contributions for the first time and now regularly publishes MREL dashboards.

BILATERAL AND MULTILATERAL COOPERATION

As well as working in multilateral bodies, the FMA also cooperates directly with foreign supervisory authorities. For this purpose it enters into bilateral and multilateral Memoranda of Understanding (MoU), which provide for the exchange of information and thus simplify and speed up practical supervisory action in cross-border cases. MoU also help to build trust, particularly in the case of non-EEA Member States, and support the FMA in its efforts to consistently strengthen its operational working relationship with partner authorities.

MEMORANDA OF UNDERSTANDING

In 2021 the FMA signed an MoU with Astana Financial Services Authority (Kazakhstan) covering supervisory cooperation and information sharing in relation to the supervision of alternative investment fund managers (AIFMD MoU) *(> Table 18).*

	Banking	Insurance	Securities	AIFMD MoU
Abu Dhabi				2018
Albania		2009		
Australia				2013
Bahamas				2015
Bermuda				2013
Bosnia and Herzegovina	2015			
Brazil	2017			
British Virgin Islands				2013
Bulgaria	2005			
Canada				2013
Cayman Islands				2013
China			2008	
Croatia	2005	2008	2000	
Cyprus	2007		2002	
Czechia	2001	2004	1999	
Dubai				2013
France	1995			
Germany	2000			
Guernsey				2013
Hong Kong				2013
Hungary	2001	2002	1998	
Isle of Man				2013
Italy	1998			
Japan				2013
Jersey				2013
Kazakhstan				**2021**
Kosovo		2016		
Liechtenstein	2009			
Macedonia		2010		
Malaysia				2013
Malta	2007			
Montenegro		2009		
Netherlands	1997			
Poland			1999	
Qatar				2018
Romania	2006	2005		
Russian Federation	2010			
Serbia		2009		
Singapore				2013
Slovakia	2003	2002		
Slovenia	2001		2001	
Switzerland	2012	2006		2013
Thailand				2014
United Kingdom	1994/1998/2019			
USA				2013

Table 18: *Bilateral Memoranda of Understanding concluded (incl. year of conclusion)*

MULTILATERAL COOPERATION

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS – IOSCO

Nearly all IOSCO members have signed IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU), which regulates cross-border co-operation among securities regulators.
Every year IOSCO evaluates its MMoU, identifies obstacles to the exchange of information and prepares statistics on information requests. The FMA is actively involved in this. Since 2017 there has been an additional Enhanced Multilateral Memorandum of Understanding (EMMoU) fostering even greater cross-border enforcement cooperation.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS – IAIS

The IAIS's work in 2021 continued to be heavily influenced by COVID-19 and the impact the pandemic has had on the insurance sector. Another topic that has become increasingly dominant is climate change. The Global Insurance Market Report (GIMAR) 2021, which was published at the end of November, included a comprehensive assessment of insurers' asset-side exposures to climate-related risks.

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS – IOPS

The IOPS worked on current supervision topics such as the integration of climate change considerations and ESG factors in pension funds' investment decisions and sustainability disclosure. It also finalised and published a report on supervisory approaches enhancing cyber resilience in the pensions sector. Further topics included the risk-based supervision of pension funds and a collection of Good Practices for designing, presenting and supervising pension projections.

FSB REGIONAL CONSULTATIVE GROUP FOR EUROPE – RCG EUROPE

The FMA is not a member of the Financial Stability Board (FSB) but is represented in its Regional Consultative Group (RCG) for Europe. The Group meets every six months to discuss current FSB topics and to collect regional input from non-members. In the year under review, the RCG explored the topics of cyber resilience, reported on the progress made on the implementation of the FSB's recommendations for the regulation of stablecoin arrangements (published in 2020) and continued to support the transition away from LIBOR. The FSB also published progress reports on enhancing cross-border payments and the resilience of non-bank financial intermediation.

BASEL CONSULTATIVE GROUP – BCG

The Basel Consultative Group (BCG) provides a forum for the Basel Committee on Banking Supervision's (BCBS) engagement with supervisors, central banks and international institutions from 28 countries, also strengthening supervisory dialogue with non-member countries. The key topics for 2021 were tackling the supervisory challenges posed by the COVID-19 pandemic (monitoring and assessing risks and vulnerabilities, strengthening supervisory coordination), addressing climate-related financial risks (public consultation on principles for the effective management and supervision of climate-related financial risks) and conducting surveys on how to integrate aspects of proportionality into the regulatory and supervisory framework.

NETWORK FOR GREENING THE FINANCIAL SYSTEM – NGFS

The Central Banks and Supervisors Network for Greening the Financial System (NGFS), of which the FMA became a member in 2020, currently has 105 supervisory authorities and central banks as members and 16 institutions as observers. Their common objective is to promote the smoothest possible transition to a sustainable economy. With this in mind, the NGFS provides a platform for exchanging experiences, sharing best practice, and developing environmental and climate risk management methods for the financial sector.

The NGFS has arranged its work in five workstreams: Microprudential/Supervision, Macrofinancial, Scaling up green finance, Bridging the data gaps and Research, with the FMA being actively involved in the microprudential and supervision workstream. The FMA also joined the NGFS Glasgow Declaration: Committed to Action and published its individual pledge together with the OeNB on the occasion of the 2021 United Nations Climate Change Conference (COP26), which took place in Glasgow. The NGFS's publications in 2021 included a Progress Report on the Guide for Supervisors (assessing the progress made by supervisors in integrating climate-related and environmental risks into their supervisory frameworks) and a technical document entitled Climate-related litigation: raising awareness about a growing source of risk. The Progress Report identifies specific Focus Areas for supervisors as they look to integrate climate-related and environmental risks into supervision. The FMA contributed to the updates, offering its expertise and the experience it gained while preparing its own FMA Guide for Managing Sustainability Risks.

EUROPEAN AND INTERNATIONAL AML/CFT COOPERATION ON THE FINANCIAL MARKET

On 20 July 2021 the European Commission presented a package of legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules (Action Plan for a comprehensive Union policy on preventing money laundering and terrorism financing). The package consists of four legislative proposals. Of particular relevance is a Regulation creating an integrated AML/CFT supervisory system whose centrepiece will be a new EU AML Authority (AMLA) to be established at the beginning of 2023.

In autumn 2021 the FMA began setting up and participating in the first AML/CFT colleges. From 2022 these AML/CFT colleges are mandatory for supervised companies operating by way of a branch in at least three EU Member States. The aim is to boost the exchange of information among AML/CFT supervisors in EU Member States (and third countries) and also among prudential supervisors and Financial Intelligence Units (FIUs).

In 2021 the FMA also actively contributed to the activities of the Financial Action Task Force (FATF), the international standard-setting body for AML/CFT – not only by taking part in the plenary sessions, held three times a year, but also by providing an assessor for the FATF country evaluation of Germany.

OPERATIONAL SUPERVISION

SUPERVISION OF COMPANIES' STABILITY

ANALYSIS WORK

ONGOING ANALYSES

Companies licensed by the FMA are required to submit current data and figures on their ongoing business and risk development (reporting) to the supervisory authority at prescribed intervals, as well as further regulatory reports by certain deadlines; these include audited annual financial statements, management reports, consolidated financial statements and consolidated management reports, as well as other regulatory reports (banks, for example, are required to present the annex to the audit report, in which the auditor responds to specific banking supervision issues). Certain facts and developments, which are clearly defined by law, must be reported by the supervised entities of their own accord. External supervisory institutions such as the statutory auditor or, at banks, the state commissioner are also subject to reporting and notification obligations. Furthermore, the supervisory authority will request additional information on specific topics, both from individual institutions and from the whole sector (such as details of their exposure to specific regional markets or products). The Authority thoroughly analyses this broad and deep pool of information, identifying trends and risks at both sector and individual institution level.

Based on this regular analysis work, the FMA then delves deeper into the relevant topics during management talks or on-site measures in a risk-oriented manner, investigating the risk situation and risk potential in special surveys and analyses such as stress tests.

The depth and intervals of the reporting system and special analysis work are guided by the principle of proportionality, with supervisory activities having to be risk-based.

Data collection, analysis and on-site inspections in banking supervision are carried out by our partners in supervision, namely the Oesterreichische Nationalbank (OeNB) and the European Central Bank (ECB). However, any supervisory decisions are made by the FMA in coordination with its partners. With less significant institutions (LSIs), the FMA is generally responsible for conducting official proceedings, up until legal enforcement. With significant institutions (SIs), official decisions and proceedings within the SSM are the ultimate responsibility of the ECB.

SELECTED ANALYSES BY SUPERVISORY AREA

BANKS

The supervisory review and evaluation process (SREP) is a central tool within banking supervision. As part of the SREP, an institution's business model, internal governance and risk management, as well as its capital and liquidity risks, are all individually analysed. Over the past few years the FMA and OeNB have developed the SREP in Austria into an integrated supervisory tool by also incorporating findings from efforts to prevent money laundering and terrorist financing and from conduct and sales supervision. The SREP is thus a tool for in-depth analysis of a bank's overall risk situation. To fulfil this task in the best possible manner, the SREP is regularly updated and adapted in line with the latest regulatory developments by the FMA and OeNB. Based on the principle of proportionality, and depending on the size, structure, nature, scope and complexity of a bank's business model, the full SREP procedure is carried out every year, every two years or every three years. During the years without a full procedure, the SREP is updated accordingly.

While it is the OeNB that carries out the quantitative analysis required for the SREP, the FMA focuses on the internal governance and risk management aspect, which involves an in-depth review and assessment of an institution's internal governance, organisational structure, risk management structures, and risk culture and infrastructure. The FMA is also in charge of the process to adopt the SREP administrative decision, adding a legally binding aspect to the analysis. The previously established practice of conducting governance workshops with selected supervised companies was continued in 2021.

Within the SSM, it is the ECB that is responsible for the SREP of banking groups under its direct supervision, the so-called significant institutions (SIs), but the national supervisory authorities are closely involved in the process.

INSURANCE UNDERTAKINGS

The analysis work in relation to insurance undertakings and insurance groups covered, as part of the SREP, ongoing financial and risk analysis focusing on specific areas, with ad hoc surveys also being carried out at the undertakings. These focus areas were financial statement and budgeting data but also risk-based topics surrounding solvency, governance, asset allocation, market developments, risk management, sustainability, interest rate changes and higher levels of claims due to natural disasters. In addition, a cross-sectional analysis of own risk and solvency assessment (ORSA) reports[1] (sensitivity, scenario and stress test information in particular) was carried out, as was analysis of incorporating sustainability topics or climate change scenarios into ORSA, and the topic of internal auditing within the scope of group supervision with the involvement of the supervisory colleges. The FMA also continued to develop its forecasting model for the solvency situation of insurance undertakings and insurance groups. The focus here was on mapping the market developments of asset portfolios, interest rate changes, as well as changes in technical provisions and critical solvency capital requirements.

PENSIONSKASSEN

Analysis work in the pension company sector focused on the topics of digitalisation and cybersecurity in the reporting year. In line with the analysis and supervision priority of sustainability, the *Pensionskassen* continued to expand their ESG (environ-

[1] *The Solvency II regime requires insurance undertakings and groups to regularly conduct their own assessment of their individual risk and solvency situation.*

mental, social and governance) processes with implementation advancing well. Additionally, *Pensionskassen* were required to submit their own risk assessment (ORA) to the FMA for the first time.

ASSET MANAGERS AND CORPORATE PROVISION FUNDS

In 2021 the FMA analysed 31 annual financial statements prepared by licensed asset managers and corporate provision funds, along with seven audit reports from branches of foreign asset management companies. Additionally, the Authority processed and analysed 2 223 randomly selected annual and half-yearly reports produced by funds. As part of the supervision priority of digitalisation, the FMA carried out a survey that looked in particular into the networks between market participants and resulting concentration risks. Another focus was on the IT systems used, new technologies, cyber and cloud maturity, and cloud services.
The FMA also implemented regulatory reporting, at short intervals, of investment funds' net cash flows and liquidity, and asked for monthly performance data on corporate provision funds' payouts and guarantee payments. This enabled the FMA to monitor the major COVID-19-related risks, as well as the measures the supervised companies have taken or plan to take in this respect.
In addition to ongoing analysis of reporting data, the evaluation of the annual analysis questionnaire, which all licensed asset managers and corporate provision funds are required to complete, was also taken into account.

INVESTMENT SERVICE PROVIDERS

With regard to the supervision of investment service providers, the annual (electronic) analysis questionnaire for investment firms and investment service providers is an important supervisory tool. The questionnaire was completed by 111 Austrian investment firms and investment service providers as well as 23 EEA investment firms during the reporting year, yielding crucial figures, data and facts for the FMA's analysis work. Evaluating and analysing this data provides the FMA with important information on the activities of the supervised companies, as well as on the market of investment service providers, and also provides every evaluated company with information and suggestions that can be used to review and optimise internal processes.

BENCHMARKS

The FMA carried out an analysis of the European benchmarks used in Austrian loan agreements at the end of 2020. The findings were used in 2021 for supervisory activities and for the FMA and OeNB statements to the European Commission concerning the statutory replacement rate for CHF LIBOR. In the context of the statements on this replacement rate, the CHF-LIBOR exposure of Austrian banks was also considered and analysed.

STRESS TESTING

BANKS

In 2021 the European Banking Authority (EBA) conducted the EU-wide stress test that it had been forced to postpone in the previous year because of COVID-19. To this end, the EBA again screened 50 large EU banks, two of which from Austria. At the same time, the ECB tested another 51 major banks that are under its direct remit in the

European Single Supervisory Mechanism (SSM), among them four banks from Austria. The underlying adverse scenario was based on a narrative of a prolonged COVID-19 scenario in a "lower for longer" interest rate environment. The narrative went on to assume a strong decline in economic growth together with a pronounced increase in unemployment, and negative developments in real estate prices. The impact on Austrian banks of this adverse stress scenario on capital resources was better than the European average. Although capital adequacy in Austria before the stress test was much improved compared with the 2018 test, the level of capital resources was still below the EU average, and the Austrian banks' results after the 2021 test were thus in line with the EU average.

INSURANCE UNDERTAKINGS

The European Insurance and Occupational Pensions Authority (EIOPA) coordinated and conducted an insurance stress test in the reporting year, with Vienna Insurance Group (VIG) the only Austrian participant. The stress test consisted of two components, a balance sheet stress test at group level and model calculations for liquidity assessments.

The balance sheet stress test (as at 31 December 2020) at group level required recalculation of the solvency positions under an adverse scenario and a number of technical specifications, taking account of the risk-free rate curves provided, the application and calibration of transitional measures, estimation of tax items, calculation of the risk margin and application of the shocks. The balance sheet and solvency positions had to be recalculated with the same approach or model that is used for regular annual Solvency II reporting.

Since VIG manages liquidity on a solo level, the five largest insurance undertakings in the VIG Group were included in the liquidity stress test. The baseline and post-stress liquidity situation computed over a time horizon of 90 days and covering the first quarter of 2021 had to be given. All liquidity positions were to be considered, if possible.

The stress test provides important insights for insurance supervision. However, there is no defined threshold that, if reached, would mean insurance groups "failed" the exercise. Rather the whole process yields qualitative and quantitative insights that can be used to assess insurance undertakings and determine their solvency situation.

PENSIONSKASSEN

The Austrian *Pensionskassen* (PK), in their capacity as institutional investors, play an important role in implementing ESG strategies in investment. Because of climate change, assets that are invested in climate-relevant sectors are increasingly exposed to transition risks, and these are becoming ever more relevant with the switch to a (more) carbon-neutral economy. The FMA therefore continued to examine the climate-related risks in PK portfolios in 2021.

The analysis of shares and corporate bonds totalling around € 14.4 billion found that the portfolio of Austrian PK will not reach the 2°C target by 2100, neither in relation to shares nor in relation to corporate bonds. However, the companies in which Austrian PK invest are in both cases better aligned to the climate pathway compatible with the Paris Agreement than the comparison indices MSCI ACWI and Global Corp Bond ETF.

The FMA also conducted a top-down climate stress test to evaluate how vulnerable the PK portfolios are to transition risk. The test assumed that the current measures to fight climate change would be continued, which would require a policy shock in 2030

WHISTLEBLOWING

Whistleblowers are people who do not keep silent upon encountering misconduct or irregularities that could damage a company or that are not in the public interest. In some cases, they will have failed to find anyone to listen to their concerns in the company itself or are worried about serious personal consequences should they inform their managers or any supervisory body. Information from whistleblowers is also an important source of information for authorities as a means of eliminating bad practice and often being able to limit or even entirely prevent resulting damage.

Consequently, back in 2014, the FMA set up its own web-based whistleblowing system as a highly secure channel for the reporting of any irregularities. This system guarantees whistleblowers absolute technological anonymity, thereby affording them as much protection as possible from any retaliatory action. Whistleblowers also have the option of setting up a personal, secure mailbox in the tool, via which they and the FMA can subsequently communicate with one another anonymously. Individuals who are brave enough to report illegal actions should not have to risk damage to their own reputation or the loss of their job as a result.

The reports made using the whistleblower tool often form a valuable basis for the FMA's supervisory activity. All reports are subject to an immediate, initial review by a specially trained member of staff, who will then forward them internally to the relevant FMA expert or, if necessary, refer the case to an external supervisory or prosecution body for further action.

REPORTS AND OUTCOMES

In 2021 the FMA received 298 reports from whistleblowers, 74% (220 cases) of which actually fell within the FMA's supervisory remit *(> Chart 30).* Out of this total, 62 related to banking supervision, 20 to insurance and pension supervision, 43 to securities supervision, 22 to markets and exchanges supervision and 11 to money laundering and the financing of terrorism *(> Chart 31).*

Most of the reports, namely 105 of them, related to investment fraud, with 55% concerning financial scams that promised huge profits with cryptoassets.

Cryptoassets frequently feature in the advertised schemes with the promise of exorbitant increases in value and a highly luxurious lifestyle, or even as a "conservative and safe investment" for old-age provision.

Overall, taking into account all areas of supervision, the FMA proceeded with further supervisory measures in 126 cases – comprising on-site inspections, management talks, fit and proper tests and reviews of key functions – and issued penal decisions. The FMA also reported 43 cases to the criminal authorities, mostly public prosecutors, and published ten investor warnings.

Whistleblower reports are not just an important source of information in tackling poor practice in supervised companies but also frequently mark the start of criminal prosecutions. They mean that consumers and investors can be warned as early as possible of fraudulent or other potentially criminal offers on the financial markets. In this way, they help inexperienced consumers in particular to recognise dubious offers more easily and raise their awareness of the risks inherent in the financial markets in general, specifically in unregulated and unsupervised markets.

Chart 30: *Number of whistleblower reports 2017–2021*

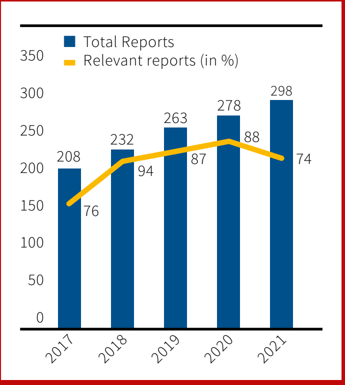
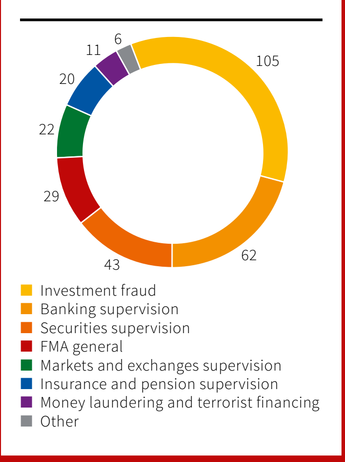


Chart 31: *Whistleblower reports by area of supervision (in %)*



if the 2°C target was to be achieved by 2100. This scenario would mean losses of € 69.4 million for shares and € 15.8 million for corporate bonds. Government bonds amounting to € 5.4 billion were subjected to a similar stress test. A shock in the form of a bundle of measures in this segment would trigger losses of around € 11 million.

Further analysis was dedicated to the ESG scores of individual assets per PK and the overall market, using ESG scores from Refinitiv. The final ESG score is calculated from ten category scores that are rolled up into three pillar scores – environmental, social and corporate governance. The environmental categories consider resource use, emissions and innovation, the social categories comprise workforce, human rights, community and product responsibility, and the governance categories are determined by management, shareholders and corporate social responsibility strategy. The ESG score for the entire portfolio is 66.53 out of 100 possible points. Broken down by categories, the score was 62.73 for environmental, 70.63 for social and 63.36 for governance.

INVESTMENT FUNDS

To analyse the liquidity situation of Austrian investment funds, risk-based stress tests were carried out at randomly selected investment funds for the areas of bonds (particularly emerging markets, high-yield) and mixed funds. Based on the current liquidity situation, both asset and liability-side stress test scenarios were assumed.

To evaluate the exposure of the Austrian fund market to sustainability risks, the FMA carried out a climate risk stress test together with the European Securities and Markets Authority (ESMA), with a particular focus on transition risks.

The various stress scenarios have shown that transition risks can lead to losses within the short span of just five years. The results of Austrian investment funds are in line with the European average. The key findings were communicated to the market and the general public.

CORPORATE PROVISION FUNDS

Stress testing at corporate provision funds was carried out at the level of individual institutions to monitor their specific risk situation. Future developments under stress scenarios were used to identify vulnerabilities, particularly in relation to the provision for the capital guarantee, own funds and liquid funds in the present environment of COVID-19. The stress tests are primarily conducted to obtain additional information for the analysis of corporate provision funds' risk situation. The aim is to better recognise sensitivities and vulnerabilities, and to identify potential problem areas at corporate provision funds or in the sector in general early on. This included both asset-side (performance losses) and liability-side (worsening of the labour market situation) stress scenarios for a five-year period (2021 to 2025).

FINANCIAL MARKET INFRASTRUCTURES

In 2021, ESMA carried out the fourth Europe-wide stress tests for central counterparties, in which 15 EU-CCPs took part, including Central Counterparty Austria (CCP.A). The exercise was conducted to assess the resilience of CCPs to adverse market developments and to identify any potential shortcomings in those CCPs' resilience and make recommendations, if necessary. It covered the components of credit, concentration and operational risks. The FMA validated the CCP.A data and subsequently submitted it to ESMA. The publication of the results is scheduled to take place in the second half of 2022.

ON-SITE MEASURES

On-site measures are an important supervisory tool for the FMA – and used both to glean information and to check whether supervisory measures imposed by the Authority have been implemented by the companies concerned and whether the relevant legal requirements are being met. The term “on-site measure” refers to both more comprehensive on-site inspections and to less thorough, more flexible inspections. On-site measures complement the FMA’s ongoing analysis work, which mainly draws on reporting data, annual reports and other regularly available data or information requested on a case-by-case basis.

The FMA approaches on-site measures in a risk-oriented manner: larger, more complex and therefore riskier companies are inspected more often than smaller companies that only pose a limited risk to financial market stability. To this end, the FMA and the OeNB always jointly prepare an inspection plan for the coming year. In addition to these annual plans, on-site measures are also carried out as required to check sudden incidents or serious information straight away and quickly gain a clear picture of any company that finds itself in a difficult situation.

On-site measures are performed across all areas of supervision. In the area of banking supervision and in relation to two market infrastructures, the FMA commissions its long-established supervision partner, the OeNB, to carry out the inspections. With regard to significant banking groups for which the ECB bears direct supervisory responsibility in the context of the Single Supervisory Mechanism (SSM), inspections are carried out directly by the ECB with the involvement of national supervisors.

Owing to the many COVID challenges and burdens facing the supervised companies, as well as the massive restrictions imposed by lockdowns, the originally planned on-site inspection programme had to be selectively cut back again in 2021 *(> Table 13)*. Physical presence was replaced or supplemented by off-site inspections and analysis work, where sensible and possible, for example by logging into supervised companies’ IT systems remotely or using Skype conferences. In terms of subject area, and in line with the FMA’s supervision and inspection priorities for 2021, key issues were governance systems, IT security and digitalisation, and the prevention of money laundering.

Table 13: *On-site measures 2017–2021*

	2017	2018	2019	2020	2021
Banks					
– Small and regional banks	30	30	39	14	15
– Significant banks	11	11	13	10	10
– Conduct and sales	61	32*	36	24	31
Insurance undertakings	28	28	28	22	27
Asset managers					
– (Real-estate) investment fund management companies and AIFMs	14	12	8	6	10
– Custodian banks, depositaries	6	5	5	0	2
– Portfolio management at investment firms and banks	5	4	11	11	8
Investment service providers	37	48	41	35	34
Pensionskassen	2	2	2	2	2
Corporate provision funds	3	6	2	2	2
Market infrastructures	1	3	3	2	3
Prevention of money laundering and terrorist financing	67	62	67	48	48
Benchmark administrators	–	–	–	1	2

* The figure from 2018 onwards only accounts for measures taken at banks; the figures for earlier periods also include measures at other supervised companies.

IT SECURITY

The IT checks carried out during the reporting year focused on cyber and IT security risks, IT outsourcing risks, as well as on business continuity and incident management. Specific attention was also devoted to inspecting banks' IT authorisation schemes, with adherence to the EBA Guidelines on ICT and security risk management being checked in particular. With regard to outsourcing to IT providers, the requirements of Article 25 of the Austrian Banking Act (BWG; *Bankwesengesetz*) were examined with a particular focus on the EBA Guidelines on outsourcing arrangements.

BANKS

The 28 inspection mandates that the FMA gave to the OeNB in 2021 prioritised the issues of credit risk, interest rate risk, banking book, organisation and internal control system, and IT outsourcing risks. The FMA itself carried out on-site inspections to check compliance with the statutory conduct rules in relation to the provision of banking and securities services, the distribution of financial instruments and arrangement of insurance. In total, 15 on-site inspections were carried out during the year under review.

INSURANCE UNDERTAKINGS

In the insurance sector, 27 on-site activities were carried out in the reporting year, as planned and despite the restrictions caused by the pandemic. There was only a slight change in the way these inspections were performed: where possible and sensible, they were carried out online. This changed approach did not, however, impact the quality of the inspections in any way.

The inspections centred around three priority areas: the priority of IT security (cyber risk), which was continued from the previous year, the establishment of reserves and the claims settlement process, and the third priority was inspecting small mutual associations.

Governance with a particular focus on the supervisory board was another matter added to the inspection plan and looked into at two undertakings; this is an issue that will gain in importance in future.

PENSIONSKASSEN

Two *Pensionskassen* were inspected on site in 2021. One inspection focused on investments as defined in Article 25 of the *Pensionskassen* Act (PKG; *Pensionskassengesetz*), and another on the data quality of management systems and IT security.

ASSET MANAGERS

With regard to the supervision of asset managers (investment fund management companies, alternative investment fund managers, custodian banks, portfolio management at investment firms and banks), the supervision priority of digitalisation continued to dominate on-site inspections. IT security and cybersecurity were reviewed, as was the digital transformation of business divisions. Naturally, most of the processes involved in asset management are IT-based. The main focus during inspections of the systems and processes employed was increasing operational security for all processes within the organisation through a higher degree of automation while at the same time reducing the need for manual maintenance work. With the increasing number of different IT systems and programs used, the requirements being made of authorisation management systems are also rising; the most important aspect here is to prevent any misuse and unauthorised manipulation of data and IT systems. On-site inspections therefore focused strongly on appropriate authorisation management systems.

INVESTMENT SERVICE PROVIDERS

IT and cyber risks, and examining internal auditing processes were the main focuses during on-site inspections at investment service providers. Other priorities were newly licensed companies and inspections as part of ESMA's Common Supervisory Action on product governance rules. Additionally, the FMA also directly inspected tied agents and securities brokers, doing so on 15 occasions.

FINANCIAL MARKET INFRASTRUCTURES

Despite the challenges of COVID-19, the FMA managed to conduct the annual inspections at CCP.A and OeKB CSD GmbH, albeit predominantly off-site, in accordance with its statutory remit as defined in the European Market Infrastructure Regulation (EMIR)[2] and the Central Securities Depositories Regulation (CSDR)[3].

PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

The FMA carried out a total of 48 on-site measures during the year under review in order to monitor compliance with due diligence procedures for the prevention of money laundering and terrorist financing. Of these, 19 took the form of on-site inspections and included 17 at banks. The FMA also carried out 21 examinations, of which eleven at banks and four at payment institutions (two of which at agents of payment institutions). Thematic topics covered correspondent banking relationships and the newly registered virtual asset service providers (VASPs).

MANAGEMENT TALKS

Regular structured talks with the management of supervised companies are another important source of information for continued supervision. Management talks are

***Table 14:** Management talks 2017–2021*

	2017	2018	2019	2020	2021
Banks	107	95	111	150	116
– Conduct and sales supervision	*18*	*19**	*19*	*17*	*23*
Insurance undertakings	55	89	103	150	108
Asset managers (AIFMs and [real-estate] investment fund management companies)	30	27	24	37	17
Investment service providers	74	61	67	41	51
Pensionskassen	12	13	13	24	11
Corporate provision funds	8	8	8	12	3
Market infrastructures	–	–	1	2	3
Prevention of money laundering and terrorist financing	–	10	10	8	10
Benchmark administrators	–	–	–	1	1

* The figure from 2018 onwards only accounts for management talks at banks; the figures for earlier periods also include talks at other supervised companies.

[2] *Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.*

[3] *Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.*

usually conducted annually. Their aims include maintaining contact with the management and examining in greater detail the business model, strategy and risk assessment of the companies concerned. Management talks are also held to discuss current topics and supervision priorities with the companies. Despite recurring waves of COVID-19 infections, the financial markets have learned to cope with the pandemic in a calm and composed manner, with the result that management talks with supervised companies could be scaled back in 2021.

OFFICIAL PROCESSES

LICENCES AND REGISTRATIONS

The number of companies licensed, registered and supervised by the FMA remained relatively stable in 2021, increasing from 878 at the beginning of the year to 883 at its end. This stability is also reflected in the number of licensing processes: there were nine new licences (2020: 7) alongside ten (2020: 7) relinquished, expired or withdrawn (1) licences in 2021. However, these global figures are not always a good representation of the varying individual market developments.

BANKS

In the reporting year the FMA did not grant any new licences, as in the previous year. Only one existing licence was extended in its scope. At the same time, two licences expired, one through revocation and another through withdrawal.

The withdrawal became necessary as Autobank AG, a small joint stock bank, had slid into insolvency. The FMA had already appointed an auditor to assist the bank's management board as a temporary administrator pursuant to Article 46 of the Bank Recovery and Resolution Act (BaSAG; *Bankensanierungs- und Abwicklungsgesetz*) in 2020. Such appointment constitutes an early intervention measure, allowing the FMA to counteract actual or imminent breaches of supervisory provisions at the earliest possible stage. At an extraordinary general meeting on 29 January 2021, the shareholders subsequently decided to resolve the bank themselves. The plan failed and the FMA had to file an insolvency petition, which the court granted. This led to the licence being withdrawn.

Table 15: *Authorisation and registration procedures concluded in 2021*

	New	Change	Extension	Revocation/ Expiry	Withdrawal
Banks	0	0	2	1	1
Payment service providers	0	0	0	0	0
Insurance undertakings	0	0	0	1	0
Asset managers					
– *Investment fund management companies*	0	0	0	0	0
– *Licensed AIFMs (incl. real estate investment fund management companies)*	0	0	3	1	0
– *Registered AIFMs*	5	0	0	2	0
Investment service providers	4	10	10	4	0
Pensionskassen	0	0	0	0	0
Corporate provision funds	0	0	0	0	0
Market infrastructures	0	0	1	0	0
Benchmark administrators	0	0	0	0	0
Total	**9**	**10**	**16**	**9**	**1**

The revocation concerned Allianz Investment Bank AG, a subsidiary bank of a large financial group specialising in investment. It terminated its banking business, relinquished the licence and merged with the group's investment fund management company.

INSURANCE UNDERTAKINGS

One licence expired due to a merger between two licensed insurance undertakings. The licence of Credendo − Single Risk Insurance AG expired when the merger with acquiring Credendo – Excess & Surety SA was entered in the company register.

ASSET MANAGERS

The number of investment fund management companies has remained stable. The number of licensed alternative investment fund managers (AIFMs) dropped by one, while the number of registered AIFMs rose by five.

INVESTMENT FIRMS AND INVESTMENT SERVICE PROVIDERS

Investment service providers encountered a new regulatory environment. Together with the opportunities associated with digitalisation, this led to the development of new and differentiated business models and to new licences being granted. The FMA granted four licences to investment firms, while four expired or were revoked. In the reporting year the FMA held preliminary talks about regulatory and supervisory requirements with eleven interested parties; these have so far resulted in five new applications for the granting of a licence in accordance with the Securities Supervision Act 2018 (WAG 2018; *Wertpapieraufsichtsgesetz*).

VIRTUAL ASSET SERVICE PROVIDERS

Virtual asset service providers (VASPs) have been subject to the Financial Markets Anti-Money Laundering Act (FM-GwG; *Finanzmarkt-Geldwäschegesetz*) and required to register with the FMA since 10 January 2020. VASPs issue and sell virtual currencies, and transfer them, they provide exchange and trading platforms (irrespective of whether virtual currencies are exchanged between each other or with fiat currencies or vice versa) and act as custodian wallet providers.

In 2021, 17 VASPs submitted registration applications to the FMA. Of these, six were registered and one was rejected, eight withdrew their applications again and two relinquished registrations that had already been granted.

BENCHMARK ADMINISTRATORS

In accordance with the provisions of the Benchmarks Regulation (BMR)[4], natural or legal persons who provide indices within the EU (index providers) by reference to which the value of financial instruments, investment funds and consumer loans is determined must register as administrators. Administrators located in Austria must register with the FMA.

There were no changes in the number of registered benchmark administrators in the reporting year: Wiener Börse AG and Raiffeisen Centrobank AG continue to be the only two in Austria.

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[4] *Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.*

Wiener Börse AG notified the FMA of the provision of three new benchmarks last year. As at 31 December 2021, Wiener Börse AG provided 150 benchmarks, grouped into 24 families of benchmarks.
In contrast, Raiffeisen Centrobank AG reduced the number of benchmarks it provided by taking advantage of exemptions as defined in the BMR, ultimately only providing 26 benchmarks at the year-end, grouped into three families of benchmarks.

MARKET INFRASTRUCTURE

In 2021 the FMA granted the request of CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH (CCP.A) to extend its licence in relation to clearing services to also include energy spot market products that are traded on Energy Exchange Austria (EXXA); the request for extension was made in accordance with Article 15 of EMIR.

FIT AND PROPER ASSESSMENTS

The FMA conducted a total of 717 fit and proper assessments in 2021 in order to evaluate the professional and personal suitability of members of the management and supervisory board, and of specific function holders in the supervised companies *(> Table 16)*. The vast majority of these assessments related to members of executive bodies, i.e. managing directors or supervisory board members. As an integrated supervisory authority, the FMA endeavours to apply all fit and proper requirements, assessments and procedures in an equivalent manner across all sectors, inasmuch as regulatory provisions allow. In relation to the supervision of significant institutions (SIs), the ECB is responsible for formal decision-making based on fit and proper assessments.
Following implementation of European provisions, the FMA has been able since 2021 to directly remove members of the management or the supervisory board of banks who fail to comply with fit and proper requirements. Such removal is only possible after a very detailed fit and proper assessment. Particular focus in the assessments continues to be placed on supervisory board members' independence.

OUTSOURCING

Supervised companies notified the FMA of 739 instances of material operational tasks

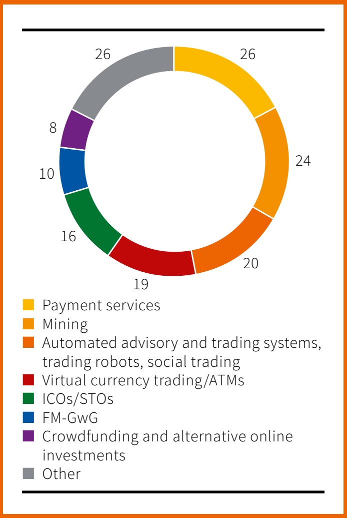
Table 16: *Fit and proper tests concluded in 2021*

	Management	Supervisory board	Function holders
Small and regional banks (LSIs)	77	328	22
Significant banks (SIs)	11	66	3
– Conduct and sales supervision	*7*	–	–
Payment service providers	–	–	–
Insurance undertakings	29	55	33
Asset managers			
– Investment fund management companies	6	15	3
– AIFMs (incl. real estate investment fund management companies)	12	5	4
– Custodian banks	0	–	–
Investment service providers	12	0	0
Pensionskassen	5	0	10
Corporate provision funds	4	8	1
Market infrastructures	1	0	0
Total	**164**	**477**	**76**

PROMOTING AUSTRIA AS A BASE FOR BUSINESS

The digitalisation of the financial world and the associated structural change will play a huge role in shaping Austria's future. In order to embrace these changes and to support the innovative strength of the Austrian economy, the FMA pursues a technology-neutral supervisory approach while proactively addressing the challenges of digitalisation. It offers advice and support to FinTechs, but also to established companies that want to move into new business areas, be it innovative payment technology, trading robots, initial coin offerings, security tokens or blockchain-based business models, and answers any questions about the regulatory framework and supervisory requirements.

Chart 32: *FinTech enquiries by business model (overlaps between business models possible)*



FINTECH POINT OF CONTACT – ONE OF EUROPE'S FIRST REGULATORY INNOVATION HUBS

The FinTech Point of Contact was established at the FMA in 2016 as an integrated single point of contact for all regulatory issues relating to innovative digital business models. Since then, it has clarified 590 of these mostly very complex questions, providing the FinTech initiators with the information they need in a service-oriented manner. In the reporting year alone, the FinTech Point of Contact answered 155 enquiries, a new record *(> Chart 32).*

REGULATORY SANDBOX – A SUPERVISORY INCUBATOR FOR FINTECHS

As soon as the Austrian legislator had created the legal basis, the FMA immediately established its regulatory sandbox with effect from 1 September 2020. This sandbox can be used to test financial innovations of any kind for which a licence or other authorisation from the FMA is required, checking compliance with the regulatory requirements and putting the concept to the test in a supervisory context. The goal is to take these business models as far as regulatory maturity so that they can enrich the financial market.

Five FinTechs applied for admission to the regulatory sandbox during the first 16 months. By the end of 2021, four of these had already been accepted, with one application having been withdrawn.

The very first sandbox participant was awarded the licence it needed to operate as an investment firm in the first quarter of 2022. It is a FinTech that offers an app and web platform for bilateral trading with security tokens, with a business model based on distributed ledger technology (DLT). The FinTech is now allowed to operate on the market from within the sandbox since, as in the outside economy, financial services may not be offered from the sandbox without the necessary licence. The other sandbox participants are a provider that wants to offer an innovative business model for services related to virtual currencies (this requires registration in accordance with the Financial Markets Anti-Money Laundering Act – FM-GwG; *Finanzmarkt-Geldwäschegesetz*); a company already operating as a crypto exchange that also wants to establish an innovative business model for trading in shares and exchange traded funds (ETFs); and a provider that intends establishing an innovative crowdfunding platform model in accordance with the Regulation on European Crowdfunding Service Providers (ECSP) for business.

The FMA has set up a portal on its website (www.fma.gv.at/en/fintech-point-of-contact-sandbox/) containing clear and concise information on how the process works and covering the relevant legislation (particularly Article 23a of the FMABG).

	2021
Banks	333
Payment service providers	6
Insurance undertakings	23
Asset managers	
– Investment fund management companies	162
– AIFMs (incl. real estate investment fund management companies)	198
– Custodian banks	0
Pensionskassen	8
Corporate provision funds	9
Market infrastructures	0
Total	**739**

Table 17: *Outsourcing approved and/or notified in 2021*

being outsourced in the reporting year *(> Table 17)*. Outsourcing may be advantageous for companies in all areas of the financial market, and in many respects too. It can improve cost efficiency and allow for greater flexibility. In the case of decentralised sectors, outsourcing to sector-wide institutions can help pool knowledge and implement uniform standards. Asset managers and corporate provision funds may delegate tasks to third parties. Most outsourcing in the asset management sector involves asset managers delegating specific tasks for individual funds, such as all asset management, to third parties.

Outsourcing is increasing in importance with the advance of digitalisation. Specific corporate processes are more and more often being taken over by specialised IT service providers, for example online and video identification services in connection with Know Your Customer, or providers in the field of data science that process and analyse customer data. Nowadays, entire IT systems are also increasingly being outsourced to the cloud.

FURTHER SELECTED SUPERVISION CASES

SREP MEASURES

The capital resources of Austrian credit institutions are monitored by the FMA and ECB on an ongoing basis. First and foremost, banks are required to comply with minimum capital requirements (Pillar 1) in order to guarantee uniform and standardised coverage of credit, market, operational and settlement risk.

Additionally, they are also required to have sufficient capital to secure all of the essential risks associated with banking business and operations (Pillar 2). This additional capital requirement is determined in the supervisory review and evaluation process (SREP). It is the FMA that sets the additional capital requirement for the banks that are under its direct supervision, the less significant institutions (LSIs), while the ECB performs this task for the significant institutions (SIs) that it supervises directly. Smaller credit institutions in decentralised sectors are analysed by the FMA using a proportional, simplified approach that takes account of their business model.

The FMA made 331 SREP decisions in 2021 in relation to LSIs (2020: 349), with the ECB making seven decisions in relation to SIs (2020: 7) *(> Table 18).*

Table 18: *SREP decisions 2017–2021*

	2017	2018	2019	2020	2021
SREP decisions LSIs	442	410	397	349	331
SREP decisions SIs	8	7	6	7	7

INTERNAL MODELS IN INSURANCE

In the area of insurance supervision, the FMA endorsed one application for the approval of a changed model submitted by an Austrian insurance group, and contributed to two additional model changes in the capacity of responsible supervisory authority in 2021 *(> Table 19).*

The FMA was the responsible supervisory authority as it supervises subsidiaries of

	2017	2018	2019	2020	2021
Approval of (partial) internal models of individual companies	3	4	5	5	2
Approval of (partial) internal models of insurance groups	2	1	2	2	1

***Table 19:** Approval of internal models in the insurance sector 2017–2021*

groups that are authorised in another Member State and that use the internal group model also for calculating their individual own funds requirements.
Internal group models are approved by way of common decisions adopted by all responsible supervisory authorities in supervisory colleges.

SUPERVISION OF FOREIGN INVESTMENT FUNDS

The number of foreign funds notified for sale in Austria continued to increase in the reporting year, namely by +4.2% to 9 744. Specifically, the number of foreign alternative investment funds (AIFs) has risen significantly, by around +16.9% to 2 030, while the number of foreign undertakings for collective investment in transferable securities (UCITS) has grown only slightly, by +1.3% to 7 714 *(> Chart 33).* The funds still originate mainly from Germany, France, Ireland and Luxembourg.
Continued supervision of foreign investment funds deals in particular with procedures for notification of the sale in Austria of UCITS and AIFs from the European Economic Area (EEA); the competent authority of the home country submits the requisite documents to the FMA. The number of notification procedures grew by 249, or 18.5%, to 1 598 in 2021.
There is also a wealth of ongoing fund-specific notification procedures relating, for example, to the submission of reports on activities and half-yearly reports, key investor information documents and prospectuses. The FMA must also be notified of mergers, changes of names, and the dissolution of funds.
At 12 655, the number of procedures related to the continued supervision of foreign investment funds rose by 1 181, or 10.3%, hitting another record high in 2021 *(> Table 20).*

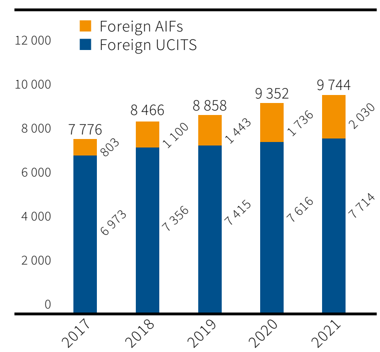


***Chart 33:** Number of foreign funds notified for sale in Austria 2017–2021*

	2017	2018	2019	2020	2021
Procedures with foreign UCITS	8 901	9 367	9 198	10 117	10 780
– Notifications	*881*	*902*	*816*	*742*	*807*
Procedures with foreign AIFs	687	814	1 179	1 357	1 875
– Notifications	*369*	*493*	*681*	*607*	*791*
Total	**9 588**	**10 181**	**10 377**	**11 474**	**12 655**

***Table 20:** Continued supervision of foreign investment funds 2017–2021*

COLLEGES: A TOOL FOR CROSS-BORDER COOPERATION ON SUPERVISION

The companies supervised by the FMA are not just active on the Austrian market. Some of them also offer their services internationally, either through branches under the freedom to provide services in the EEA, or through subsidiaries elsewhere in the EU and in other foreign countries. What this means for the FMA is that a close working relationship with the host authorities responsible for such subsidiaries is essential.
In its capacity as the home authority of the parent company in the case of Austrian groups with international operations, the FMA is responsible for coordinating overall group supervision through supervisory colleges. These colleges, at which key group-

wide supervisory issues are discussed and decisions on group supervision made, meet at least once per year and are chaired by the FMA. Due to the coronavirus pandemic, the colleges had to be held by telephone or video conference. Furthermore, owing to the need for additional information, bilateral and multilateral contacts with other supervisory authorities increased as well.

BANKING SUPERVISION

A supervisory college was set up for seven banking groups based in Austria in 2021. In accordance with the European rules governing supervisory colleges, these colleges decide annually on group-wide capital and liquidity adequacy and on group-wide recovery plans.

Four of these banking groups – Addiko Bank AG, Erste Group Bank AG, Raiffeisen Bank International AG and Sberbank Europe AG – are classed as significant institutions within the SSM and are therefore supervised directly by the European Central Bank. The ECB is also responsible for group supervision and for chairing the respective colleges. However, the FMA and OeNB still play a key role in the work of the colleges through the joint supervisory teams.

With regard to the other three banking groups – Bausparkasse Wüstenrot AG, Hypo-Bank Burgenland AG and Porsche Bank AG – the FMA is the competent supervisor and also chairs the respective supervisory colleges.

INSURANCE SUPERVISION

The FMA is the responsible group supervisor for the following five insurance groups with international operations because their ultimate parent company is based in Austria: Vienna Insurance Group, Uniqa Insurance Group, Grawe Group, Wüstenrot Group and Merkur Group. As part of this responsibility, the FMA cooperates with numerous regional European supervisory authorities of the subsidiaries, regularly exchanges information on their risk situation, and coordinates supervisory cooperation. This cooperation has intensified since the entry into force of Solvency II. Apart from the standardised exchange of information, there are also regular meetings and telephone conferences on risk-based topics at bilateral and multilateral level focusing on core markets. The FMA draws up a group risk report (risk-oriented supervisory approach top-down and bottom-up) for each insurance group in the college, and joint supervisory activities such as special analysis work or on-site inspections are coordinated on the basis of the respective group's work plan. In the course of ongoing financial and risk analysis of insurance groups, the results of this international cooperation are used directly and have a direct impact on the risk-based design of supervision for the respective group.

FINANCIAL MARKET INFRASTRUCTURES

Central Counterparty Austria (CCP.A) is responsible for the clearing of all CCP-eligible securities on Wiener Börse AG pursuant to the European Market Infrastructure Regulation (EMIR)[5]. Since 2021, CCP.A has additionally been responsible for clearing energy spot contracts that are traded on Energy Exchange Austria (EXAA).

In accordance with EMIR, a supervisory college must be held for CCPs at least once

[5] *Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.*

per year and chaired by the authority responsible for that central counterparty. As a consequence of new provisions in Regulation (EU) 2019/2099 (EMIR 2.2), the composition of the CCP.A college had to be changed in some respects in the reporting year.
The FMA also participated as a voting member in the college for EuroCCP, a central counterparty based in the Netherlands and linked to the Austrian OeKB CSD GmbH.

BENCHMARKS

The Benchmarks Regulation (BMR) provides for the establishment of supervisory colleges for significant European benchmarks ("critical benchmarks"). The national authorities responsible for the administrator and contributors (banks that provide input data for benchmarks), as well as ESMA, are represented in these colleges. Also represented are those authorities in which the critical benchmark in question plays a key role in terms of financial stability, market integrity and the financing of households and companies.
The supervisory colleges ensure that information is exchanged between the competent authorities and their activities and supervision measures are conducted in a coordinated manner, in the interests of a harmonised application of the BMR and convergence in supervisory practice.
After the LIBOR college was terminated on 31 December 2020, the only supervisory college pursuant to BMR that remained in 2021 was the EURIBOR college. As at the 2021 year-end, its chair was transferred from the Belgian Financial Services and Markets Authority (FSMA) to ESMA. The FMA is represented as a voting member in the EURIBOR college.

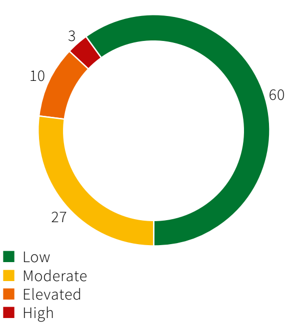
SUPERVISION OF CONDUCT, SALES AND FINANCIAL PRODUCTS

CONDUCT AND SALES SUPERVISION

Rules of conduct that must be observed by supervised companies when selling financial products and services are key to guaranteeing an appropriate level of consumer protection. Through its regulation and supervisory activity, the FMA ensures that customers are properly advised and informed.

BANKING

Chart 34: *Conduct risk at banks 2021 (in %)*



The FMA pursues a risk-oriented approach to its supervision of conduct and sales activity. To this end, the Authority carries out a risk classification of banks, grouping them into four risk categories (low, moderate, elevated, high) according to data and figures on the distribution of insurance products and investment services, as well as banks' sales figures with regard to their lending business. According to the risk classification carried out for 2021, 3% of banks have a high risk profile, with this 3% accounting for 36% of banking customers. 10% were found to have an elevated risk profile, 27% a moderate profile and 60% were classed in the lowest risk category *(> Chart 34)*.

During the year under review the FMA set the following priorities in this area of supervision: compliance with product governance rules, proper information and advertising in securities trading, insurance mediation by credit institutions.

COMMON SUPERVISORY ACTION: CONCERTED EUROPEAN REVIEW OF PRODUCT GOVERNANCE RULES

In 2021 the FMA participated in a common supervisory action launched by the European Securities and Markets Authority (ESMA) on the topic of product governance (CSA 2021). The CSA involved the supervisory authorities of the EU Member States reviewing compliance with the product governance rules in the EU Markets in Financial Instruments Directive (MiFID II)[6] based on standardised questions prepared at ESMA level.

The FMA carried out its review using on-site measures at five credit institutions, taking care to ensure appropriate coverage of the different sectors and regions con-

[6] *Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.*

cerned. The CSA 2021 covered both the manufacturers and the distributors of financial instruments. The surveys related in particular to proper and up-to-date documentation of the planned processes (including responsibilities) in the company, analysis of the cost structure in the context of product manufacturing, the review and, if necessary, amendment of the target product market by the distributor and the feedback of relevant product governance information from distribution to the product manufacturers. ESMA is due to publish the results of the CSA 2021 on its website in aggregated form in 2022.

SECURITIES INFORMATION AND ADVERTISING

In the booming electronic and online banking sector, proper information and advertising are becoming increasingly important aspects of securities trading. Information, including marketing statements, must not be misleading, and advertising should not present a distorted picture by only presenting the benefits of the securities and services without also addressing the risks.
In the year under review, in response to MiFID II, and particularly in response to further developments in the online sector, the FMA revised and published its circular on this topic: Requirements applicable to information including marketing statements pursuant to WAG 2018 and Commission Delegated Regulation (EU) 2017/565. The new circular fleshes out the detail of those provisions that required interpretation and takes into account the dissemination of information and advertisements via electronic media, such as offering investment services or financial instruments via websites, apps, social media platforms or via radio and TV. Using illustrative examples, it explains how the advantages and risks of securities and services should be presented in a balanced manner.

INSURANCE MEDIATION BY CREDIT INSTITUTIONS

The FMA also focused on credit institutions' implementation and application of the Insurance Distribution Directive (IDD)[7]. Consequently, it prioritised remedying identified shortcomings in the training and continuing professional development of client advisors, implementation of the demands and needs test, documentation of advice and the granularity of the content of the statement of suitability. This focus on the conduct of credit institutions will be continued in 2022. In addition, as part of a coordinated supervision priority by the supervisory authorities responsible for insurance mediation in Austria, the FMA reviewed eleven Austrian credit institutions in terms of their compliance with the legal requirements for recommendation and statement of suitability in the distribution of insurance investment products. The EU-wide evaluation of the results is scheduled for completion in 2022.

INSURANCE

In the area of insurance supervision, with a view to strengthening collective consumer protection and containing the operational risks of the supervised undertakings, the FMA focused on accident and legal expenses insurance, on product oversight and governance (POG), on switching behaviour in unit-linked life insurance, and on the transparency of the presentation of product costs and performance.

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[7] *Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution.*

With regard to accident and legal expenses insurance, the FMA carried out random checks of implementation of the demands and needs test when contracts were being concluded. It identified potential areas of improvement and shared these with the entities concerned in the form of examples of good practice.
The focus on POG relates to the responsible and sustainable production and distribution process for financial products, which is not (only) oriented towards the goal of maximising profit but is geared primarily around the client's interests. To this end, in the life, health and business interruption insurance sector, the FMA conducted random checks of information and documents relating to the product approval process, the target market, and product oversight and governance, notably in connection with the circumstances created by the pandemic.
With regard to switching behaviour in unit-linked life insurance, the FMA carried out an industry-wide survey, looking into the design of switching options within the risk and investment strategies of these products as well as how customers are advised on them and how they are used. It also looked into the regular assessment of the suitability of a recommended unit-linked life insurance policy.
Finally, in order to strengthen transparency, the presentation of costs and performance in the information material for life insurance policies was reviewed on a sample basis. This included an evaluation of documents detailing the calculation method. Overall, the FMA found the calculation methodology texts to be plausible and comprehensible.

ASSET MANAGEMENT

Only properly informed investors can make a sound investment decision based on their yield, risk and also sustainability preferences. This is why compliance with transparency rules is crucial.
During the reporting year the FMA's analysis work in the field of collective consumer protection included the following: the regular FMA Market Study on Fees charged by Austrian Retail Funds, an analysis of transparency in investment strategy focusing on sustainability, the status of Austrian asset managers with regard to sustainable finance and the integration of sustainability risks, and a benchmark analysis.
The annual FMA Market Study on Fees charged by Austrian Retail Funds was extended to include the CSA's findings for 2021 on the costs and fees charged by funds across the European Union. The findings were presented and communicated in a consumer-friendly format. This annual market study helps investors to assess and make comparisons between fund fees within an investment strategy and also between different strategies.
The transparent presentation of investment strategies (sustainability strategies and greenwashing[8]), the information in the prospectus and key investor information document (UCITS KIID), and compliance with the transparency requirements in the fund reports (with particular focus on remuneration information) were all examined for investment funds selected on a random basis. All Austrian retail equity funds were also analysed for closet indexing. Closet indexing refers to a practice in which an asset manager claims to be pursuing an active investment strategy but is in fact main-

[8] *Greenwashing is the practice of marketing financial products as "green" or "sustainable" when they do not in fact meet or follow basic environmental standards.*

MARKET MONITORING ON THE MARKET FOR FINANCIAL INSTRUMENTS

The European Markets in Financial Instruments Regulation (MiFIR)[1] established the legal framework for supervisors to monitor market developments within the European Union. In a bid to create greater transparency and further strengthen consumer protection in the financial markets, the FMA monitors the markets for financial instruments, structured deposits and insurance-based investment products that are marketed, distributed or sold in Austria, and also carries out structured market monitoring.

To this end, it consults and analyses various different sources of information and data. Enquiries, complaints and whistleblower reports are evaluated in order to identify potentially harmful products and abusive practices. Reporting data from institutions as well as publicly available market data are also constantly being analysed to detect trends at an early stage. Additionally, the FMA regularly exchanges information with interest groups, associations and consumer protection organisations, as well as other national supervisory authorities, to obtain as comprehensive a picture of the financial market as possible, to uncover bad practice through targeted analysis and, if necessary, to remedy it together.

During the reporting year the FMA focused on analysing new business models and financial products in order to detect any breaches of product intervention measures in good time but also in order to identify new trends on the financial markets. This also involved intensive exchange with European supervisory institutions and the FMA's counterparts in the other EU Member States.

CHANGED INVESTOR BEHAVIOUR

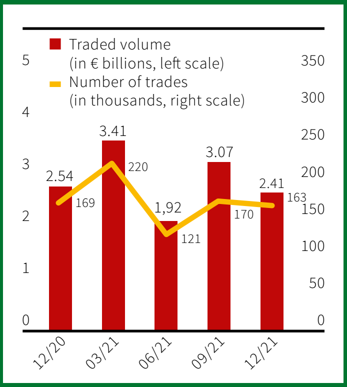
As in previous years, the Austrian market for retail investors saw a significant influx in the year under review, in terms of both the number of market participants and the volumes being invested. This increase was driven in particular by young investors and by easier market access thanks to the growing digitalisation of the financial market. In addition to shares and fund units, retail investors on the Austrian market were also increasingly trading in riskier and more complex products such as derivatives and leverage products in 2021.

These developments underline the importance of risk-oriented monitoring of the retail investor market in order to provide targeted consumer information, to enable consumers to make appropriate risk-based financial decisions, to protect them from hidden risks and to boost confidence in the financial market.

Trading in contracts for difference (CFDs), the distribution of which is restricted throughout Europe by a product intervention, fell sharply in Austria on a year-on-year basis. The leveraged traded volume at the three Austrian branches offering CFDs dropped from € 40.5 billion to € 30 billion, although the traded volume was still significantly higher than 2019 levels (€ 22.2 billion). This decline can be attributed to heightened interest in the first year of the pandemic and also to the fact that one of the major providers exited the business segment after being taken over.

At the same time, these products are becoming increasingly accessible to retail investors thanks to trading apps or trading platforms dedicated to retail investments. Particularly in the case of execution-only transactions, it was noticeable that retail customers often lacked any detailed knowledge of leverage products such as CFDs and mistakenly believed that they were investing in the underlying.

***Chart 35:** CFD trading by retail investors in Austria 2021*



[1] *Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.*

taining a portfolio that is identical or very similar to a benchmark, making it more like a passive investment.

As part of a special analysis project, the status of Austria's asset management sector was reviewed in relation to sustainable finance and the integration of sustainability risks. The strategies, methods and certifications/standards as well as the use of external ratings and data were all examined. Almost one quarter of the assets invested in funds in Austria is held in sustainability funds as defined in the Sustainable Finance Disclosure Regulation (SFDR)[9]; most of these assets are held in light green funds (Article 8 of SFDR).

The benchmark analysis focused on the updating of the contractual documents for those investment funds that use benchmarks and on monitoring whether the index providers used were included in the benchmarks register maintained by ESMA.

SECURITIES

The FMA holds certain supervisory powers, such as the right to obtain information and carry out examinations, in direct relation to tied agents and securities brokers. The aim is to review adherence to the rules of conduct applicable to the sale of securities. For the supervisor, this means that it no longer has to approach a case via the licensed legal entity with liability for the agent or broker in question.

These companies or individuals acting as tied agents represent an increasingly important distribution channel for investment services. The direct powers have therefore proven their worth as a supervisory tool: the FMA is able to carry out its conduct and sales supervision even more effectively. In the reporting year the FMA performed 15 examinations at securities brokers and tied agents.

CONSUMER PROTECTION, CONSUMER INFORMATION AND THE COMPLAINTS SYSTEM

The FMA is committed to the principle of collective consumer protection and protects the interests of consumers as a whole. In its capacity as the supervisory authority, the FMA must always remain impartial and never side with either a supervised company or a customer. The FMA is required to be strictly objective and must maintain equidistance between all market participants. This means that it may not assist with the enforcement of individual claims. The latter falls within the remit of traditional consumer protection organisations, advisory professions such as lawyers, and the civil courts.

CONSUMER INFORMATION

Collective consumer protection revolves around comprehensible, fair and comparable information that does not mislead customers and that is provided to them prior to entering into any contract, during the term of that contract and upon its termination. This is the only way in which consumers can make a sound decision on the financial services being offered on the market in line with their personal requirements. The lawmakers and the regulators therefore oblige the supervised companies to provide

[9] *Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.*

consumers and customers with honest, clear and non-misleading information. Reviewing compliance with these information obligations is one of the FMA's priorities in its capacity as supervisor.

Moreover, the FMA itself offers a broad range of information aimed directly at consumers in order to familiarise them with particular risks or to explain certain financial services and products to them clearly and in a way that is easy to understand. The FMA's website (www.fma.gv.at) is also becoming an increasingly important source of consumer information.

The "A-Z of Finance" section on the FMA website is a dedicated area for consumers, providing clear and easily comprehensible information on the relevant topics that feature most frequently in customers' questions. These include Accounts, Loans, Insurance, Investments, Old-age provision, Spotting financial fraudsters, and Enquiries and complaints.

The FMA also launched another consumer information initiative during the past year. Its "Let's talk about money" series is produced monthly and aims to answer everyday finance questions. Consumer-relevant content is presented in a user-friendly way, drawing on FMA reports, studies and analysis. Topics covered in 2021 included financial scams, online consumer loans, insurance comparison portals, greenwashing, cryptoassets, money laundering, fund fees, pump and dump manipulation, payment difficulties, youth accounts, insurance-based investment products and gold savings plans.

CENTRAL COMPLAINTS SYSTEM

The FMA also has its own central complaints system that consumers and customers of supervised companies can use to highlight problems that they themselves have experienced with a company in relation to the provision of a financial service.

As a general rule, all licensed companies are required by law to have their own complaints system, to offer and adhere to a defined complaints process, and to find appropriate solutions to any complaints received from their customers. The FMA monitors whether such systems have been properly set up and whether they are functioning effectively and efficiently. In the event that a solution offered is not satisfactory, the customer concerned may also make use of the FMA's complaints system.

In 2021 the FMA received approximately 2 900 enquiries and complaints from consumers, which it duly processed and settled in the customer's interest where legally possible.

Most of the enquiries related to banks, followed by investment firms, and covered a wide variety of issues:

- With regard to money laundering rules, consumers were primarily concerned about the obligation to identify themselves and prove the origin of funds. The FMA also received many questions about the AML due diligence requirements applicable to virtual asset service providers (VASPs).
- With regard to payment transfers, the complaints raised related in the main to the time taken for transfers to be carried out and to the cancellation and reversal of online payments.
- In terms of financing, most enquiries related to the pre-contractual information obligations of banks towards borrowers.
- Many general questions were also received in relation to the deposit guarantee scheme in Austria. Consumers were particularly keen to know how their savings

were protected and up to what amount, as well as the circumstances under which the system would apply and how the scheme would pay out.

- Regarding insurance undertakings, enquires mostly related to the actual amount of the capital guarantee under certain life insurance products, doubts as to the accuracy of calculations, and the lack of clarity in policy summary reports, termination of the contract, and the waiver or reduction of premiums.
- In the area of securities supervision, complaints mainly related to noncompliance with the rules of conduct governing the sale of securities: lack of proper advice, failure to protect investors' interests, investment of funds with an inappropriate level of risk, information that was difficult to understand, and costs and fees. Additionally, consumers showed an increased level of interest in "green" or sustainable products.
- With regard to payment transactions, all companies are obliged under European law to accept, facilitate and implement transfers and direct debits from accounts throughout the European Economic Area (EEA). However, some companies only permit Austrian accounts. This is a breach of the freedom to choose a bank account, with the result that the FMA has the power to impose sanctions under administrative criminal law.
- The number of enquiries and complaints received in relation to a wide range of cryptoasset issues soared during the year under review. In particular, there were many cases of investment fraud. As well as publishing many investor warnings on its website, the FMA also provided up-to-date information on the most common scams.

PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

With regard to the prevention of money laundering and terrorist financing, the FMA has consistently applied a zero tolerance policy. In line with its statutory remit, the FMA monitors compliance with due diligence obligations using a risk-based approach, based on a risk classification of the supervised companies. Its resources are then focused on supervising those companies that are exposed to a higher risk on account of their business model and that therefore require particularly rigorous prevention efforts.

ON-SITE MEASURES

During the year under review the FMA carried out a total of 46 on-site inspections in order to monitor compliance with due diligence procedures for the prevention of money laundering and terrorist financing. Of these, 15 concerned banks, 9 related to virtual asset service providers, 3 were at insurance undertakings, 3 were at central contact points of payment institutions and 16 at the agents of the latter. The FMA also carried out 30 examinations in the reporting year, of which 18 at banks, 1 at an investment fund management company, 1 at a payment institution, 8 at virtual asset service providers and 2 at alternative investment fund managers. In total, the FMA therefore carried out 76 on-site measures. Ten management talks were also held in the reporting year.

OFFICIAL PROCESSES

The FMA initiated 260 cases of supervisory procedures in the fight against money

FIGHTING UNAUTHORISED BUSINESS OPERATIONS

One of the tasks included in the FMA's remit is to grant licences for business activities within its area of supervision and thus to guarantee that companies entering the financial market meet all the necessary legal and economic conditions. It is also responsible for monitoring ongoing compliance from a risk-based perspective.

However, there are also providers on the Austrian market that avoid licensing and continued supervision by the FMA, and that offer services that require a licence without being authorised to do so. Such providers pose a serious threat to the integrity of the Austrian financial market. By making improper, dubious or even fraudulent offers they can damage investor confidence, causing investors to doubt that the market is functioning as it should, and they can also affect fair competition given that licensed and registered providers have to comply with strict (and sometimes cost-intensive) regulations. The performance of services that require a licence without the necessary authorisation is referred to as unauthorised business.

PROCEDURES

In 2021 the FMA initiated a total of 358 investigations on suspicion of unauthorised business operations, 343 of which could be brought to a close. The FMA also issued procedural orders calling upon 120 individuals to restore compliance with the statutory provisions, as well as six administrative decisions prohibiting business operations were issued *(> Table 21).*

	2017	2018	2019	2020	2021
Investigations initiated	208	208	202	238	358
Investigations completed	194	182	210	243	343
Warning notices	47	61	97	84	112
Reported offences	67	90	90	72	73
Administrative penal proceedings concluded	7	6	2	0	4
Total activities	**459**	**523**	**601**	**637**	**890**

Table 21: *Procedures against unauthorised business operations 2017–2021*

PUBLICATION OF WARNING NOTICES

The FMA published 112 warning notices in total in 2021, considerably more than in earlier years (2020: 84). Many of these related to dubious providers in the area of cryptoassets, with frequent cases of such providers aggressively targeting retail investors with questionable and even fraudulent business models.

Experience shows that quickly publishing this type of warning about these providers is a very efficient way of combating unauthorised activity. Dubious operators are countered with strong and broad publicity, which is particularly effective where unauthorised offers appear online.

ENFORCEMENT

In accordance with Article 22 para. 1 of the Financial Market Authority Act (FMABG; *Finanzmarktaufsichtsbehördengesetz*), the FMA is responsible for enforcing its own administrative decisions, with the exception of administrative penal decisions. For this purpose – particularly in the case of coercive penalties – an application is made with the relevant court to initiate enforcement proceedings. The penal decisions are then enforced by the district administration authority responsible.

REPORTED OFFENCES AND REPORTS FORWARDED TO OTHER ADMINISTRATIVE AUTHORITIES

In 2021 the FMA submitted a total of 73 statements of the facts to public prosecutors relating to suspected breaches of penal provisions, having encountered these in the course of its market monitoring activities and fight against unauthorised business operations.

***Table 22:** Procedures 2017–2021*

	2017	2018	2019	2020	2021
Investigations	163	141	170	194	197
Procedures to restore compliance with statutory provisions	17	15	12	25	13
Administrative penal proceedings	7	8	11	31	50

laundering and terrorist financing in 2021: 197 investigations, 13 procedural orders requesting that compliance with statutory provisions be restored and 50 administrative penal proceedings *(> Table 22).*

REGULATORY DEVELOPMENTS

Following the amendment of the FMA's Online Identification Regulation (OnlineIDV; *Online-Identifikationsverordnung*) to allow the use of biometric identification methods, the obliged entities have been able to use purely biometric processes for the remote identification of new customers in accordance with money laundering rules since 3 November 2021.

Before its amendment, the Online-IDV stipulated a total of four methods for the remote identification of customers: online identification (presentation of official photo ID as part of a video-based electronic procedure, always with the involvement of an employee of the obliged party), qualified electronic signature, registered mail delivery (Post-Ident procedure) and the first payment via a reference account.

Compared with the other identification methods, the identification of a customer using the biometric procedure is carried out solely using algorithms without the need for any personal contact with an employee of the obliged party. The customer must agree to the biometric identification and the procedure itself must correspond to the current state of the art and guarantee equivalent security to identification by employees. Additionally, video checks must be used to ensure that the person actually physically participates in the identification via their device (liveness check). The customer's photo ID must also be checked. With effect from 1 January 2023, this check will have to be carried out by reading the electronic security chip (NFC chip). Until that date, video-based ID checks will be permitted.

The option, introduced in response to the pandemic, of having employees of the obliged party who are working from home carry out the online identification, was extended until 31 December 2022 by means of another amendment to the Online-IDV.

SUPERVISION OF THE CAPITAL MARKET

PROSPECTUS SUPERVISION

PROSPECTUS APPROVALS

The number of prospectuses approved by the FMA in 2021 was on a par with the previous year, with 63 approved prospectuses/prospectus components (2020: 63). One application for approval was withdrawn. Broken down by prospectus type, the number of prospectuses for dividend-bearing shares remained more or less unchanged on the previous year (dividend-bearing shares: 5; base prospectuses: 41), with a marginal year-on-year decrease in the number of prospectuses for corporate bonds, down by one to ten prospectuses in 2021. The upwards trend in multi-part prospectuses continued in 2021, with seven registration forms being approved (2020: 6). The number of final terms filed was down 23.7% from 10 918 to 8 329.

Approved prospectus supplements were down by around 9%, from 77 in 2020 to 70 in 2021.

The number of prospectuses and supplements notified to other EEA Member States rose significantly: notified prospectuses were up by approximately 31% from 29 in 2020 to 38 in 2021; notified supplements increased by approximately 10%, up from 52 to 57.

The number of prospectuses notified in Austria by other EEA Member States rose slightly, from 304 in 2020 to 308 in the reporting year; the number of notified supplements grew by 19.5%, from 571 in the previous year to 682 *(> Table 23).*

Table 23: *Approved prospectuses 2017–2021*

	2017	2018	2019	2020	2021
Approved prospectuses/prospectus components	69	62	68	63	63
– Dividend-bearing shares	*12*	*7*	*10*	*6*	*5*
– Non-dividend-bearing shares (one-off issue)	*9*	*9*	*6*	*11*	*10*
– Non-dividend-bearing shares (base prospectus)	*48*	*46*	*48*	*40*	*41*
– Registration forms (as part of a prospectus)	*–*	*–*	*4*	*6*	*7*
Approved supplements	81	92	82	77	70
Final terms	8 998	6 832	7 390	10 918	8 329
Outgoing notifications:					
– Prospectuses	28	29	34	29	38
– Supplements	40	39	57	52	57
Incoming notifications:					
– Prospectuses	311	289	318	304	308
– Supplements	1.009	834	825	571	682

BREACHES OF ADVERTISING AND PROSPECTUS RULES

The FMA is responsible, in accordance with the Capital Market Act (KMG; *Kapitalmarktgesetz*) and Prospectus Regulation, for sanctioning any breaches in relation to the issuing and advertising of securities and investments on the Austrian financial market. During the year under review the FMA conducted 28 cases (2020: 41), two (2020: four) of which resulted in administrative penal proceedings.

Additionally, as in the previous year, one sanction relating to a KMG breach was published on the FMA's website in the year under review. The FMA also published one investor warning (2020: three) in accordance with the KMG *(> Table 24).*

***Table 24:** : Administrative penalties KMG 2017–2021*

	2017	2018	2019	2020	2021
Administrative penalties KMG	36	6	13	4	2
Publication of sanctions	5	4	5	1	1
Publication of investor warnings pursuant to KMG 2019	0	0	2	3	1

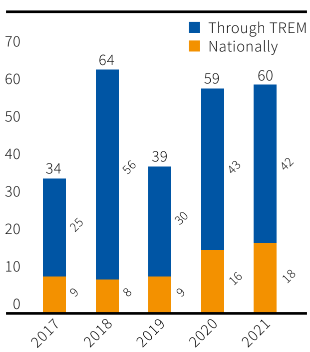
SUPERVISION OF THE STOCK EXCHANGE AND SECURITIES TRADING

As at 31 December 2021, the Vienna Stock Exchange had 19 848 securities listed on both of its markets, i.e. on its official, regulated market and on the Vienna MTF (multilateral trading facility).

In accordance with the Markets in Financial Instruments Regulation (MiFIR), 536 companies were obliged to report their securities transactions to the FMA as at the same date, irrespective of whether they were executed at a trading venue or over the counter.

In total, these institutions under reporting obligations submitted some 18 million securities transaction reports to the FMA during the year under review. Of this total number, 15.6 million were forwarded to the competent EU partner authority via the Transaction Reporting Exchange Mechanism (TREM). In its capacity as competent authority for Austria, the FMA in turn received 41.7 million transaction reports from other European supervisory authorities. The FMA therefore received 59.7 million transaction reports in total, which equates to an increase of 0.80% *(> Chart 36).*

***Chart 36:** Transaction reports submitted to the FMA 2017–2021 (in millions)*



MARKET SUPERVISION

On the basis of alerts received via its Market Manipulation Insider Tracer (MMIT) and incoming suspicious transaction reports, the FMA initiated a total of 147 investigations after conducting in-depth analysis that substantiated the initial suspicions.

***Table 25:** Market supervision 2017–2021*

	2017	2018	2019	2020	2021
Investigations into misuse of inside information, market manipulation and violation of trading rules:					
Investigations initiated	84	105	101	123	147
Investigations forwarded for internal legal processing	9	14	12	12	24
Investigations dropped/completed	72	88	132	98	142
Reports submitted to Central Public Prosecutor for Economic Crime and Corruption (WKStA)	6	0	1	0	4

Table 26: *Official assistance market supervision 2017–2021*

	2017	2018	2019	2020	2021
Enquiries addressed to foreign supervisory authorities					
BaFin	7	10	5	8	13
Other	24	18	7	14	22

	2017	2018	2019	2020	2021
Enquiries received from foreign supervisory authorities					
BaFin	21	8	5	3	6
Other	11	7	10	5	6

This is another significant increase compared with previous years *(> Table 25)*. In 33 cases, an investigation was opened on suspicion of misuse of inside information (2020: 21). In 114 cases, an investigation was opened on suspicion of market manipulation or breach of trading rules (2020: 102). Both of these figures were significant up on the previous year.

The FMA's close working relationship with European and international partner authorities is crucially important in relation to the supervision of stock exchange and securities trading. During the period under review, a total of 35 requests for official assistance were addressed to authorities in other countries, considerably more than the 22 such requests made in 2020. As in previous years, most enquiries were directed to the German Federal Financial Supervisory Authority (BaFin) *(> Table 26)*. The number of enquiries received from foreign authorities also rose compared with the previous year, up from eight in 2020 to 12 in 2021. Six of these were from BaFin (2020: three enquiries).

SUPERVISION OF ISSUERS

PERIODIC DISCLOSURE

The obligation to publish financial reports (periodic disclosure) is intended to ensure the ongoing information needs of the capital market and investors, and thus promotes both investor protection and the proper functioning of the capital market.

The periodic disclosure requirements under the Stock Exchange Act (BörseG; *Börsegesetz*) include annual financial reports and half-yearly financial reports. In addition, the exchange operating company may require issuers in the market segment subject to the strictest requirements to publish quarterly reports. In 2019 the Vienna Stock Exchange granted companies in the prime market the freedom to decide for themselves on whether to prepare quarterly reports for the first and third quarters and what format to use.

In the period under review, the FMA received 314 annual and half-yearly reports (2020: 328) *(> Table 27)*.

Table 27: *Supervision of issuers 2017–2021*

	2017	2018	2019	2020	2021
Ad hoc reports received	439	360	373	447	421
Annual, half-yearly and quarterly reports received*	470	452	466	328	314
Directors' dealings	538	469	461	1.465	910
Reports of voting rights received	451	472	565	488	546
Investigations:					
– Initiated	22	37	33	33	22
– Forwarded	16	24	19	25	17
– Dropped/completed	11	24	30	33	21

** According to the prime market rules of Wiener Börse AG, quarterly reporting is no longer mandatory but has been voluntary since February 2019.*

Table 28: Ad hoc reports by subject matter 2017–2021

	2017	2018	2019	2020	2021
Share buyback/resale	10	9	13	18	10
Peculiarities/other items of ongoing business operations	144	120	115	153	202
Participations (acquisition, sale), partnerships	78	48	42	35	41
Financial reports/business figures	103	78	74	107	42
Large-scale order	2	8	3	1	1
Capital measures	38	38	49	54	47
Staff details	39	36	35	35	43
Forecasts, profit warning	2	0	6	23	6
Restructuring, recovery, insolvency	7	9	20	3	12
Strategic corporate decisions, investments	15	9	11	12	7
Management board meetings, resolutions	1	5	5	6	10
Total	**439**	**360**	**373**	**447**	**421**

DISCLOSURE OF MAJOR HOLDINGS

Requiring issuers to disclose changes in major holdings allows investors to buy or sell shares of stock in full awareness of the modified voting rights, providing for enhanced transparency within the market.
In 2021 the FMA received 546 reports of major holdings, compared with 488 in 2020.

DIRECTORS' DEALINGS

Whether decision-makers of an issuer own financial instruments and whether they choose to buy or sell at a specific point in time is information that can influence investors' own decisions. The management and supervisory boards of listed companies and individuals closely associated with them must therefore report any buying or selling on their part to the supervisory authority and also publish them via a regulatory procedure.
In 2021 a total of 910 such director's dealings were reported to the FMA (2020: 1 465).

FINANCIAL REPORTING ENFORCEMENT

As the authority responsible for carrying out financial reporting enforcement, the FMA enforces proper financial reporting by listed companies. In carrying out reviews in accordance with the Financial Reporting Enforcement Act (RL-KG; *Rechnungslegungs-Kontrollgesetz*), it generally uses the services of the Austrian Financial Reporting Enforcement Panel (AFREP).

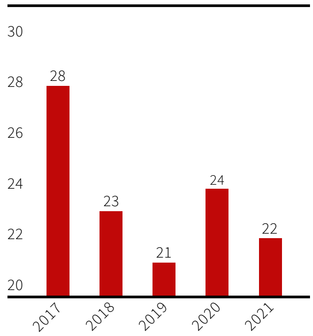
REVIEWS AND PUBLICATION OF ERRORS IN ENFORCEMENT

In total, 27 such reviews were carried out during the reporting year, 24 of which were implemented at companies selected at random *(> Table 29).* There were three cases in which the review was carried out in response to particular circumstances, with the FMA carrying out two of these reviews and AFREP dealing with one.
The error rate fell slightly compared with the previous year, at 22%, and remains

***Table 29** (right): Enforcement results 2017–2021*

	2017	2018	2019	2020	2021
Reviews finding no errors	21	20	15	19	21
Reviews finding errors	8	6	4	6	6
Publication ordered	9	6	4	6	6

***Chart 37:** Error rate of enforcement results 2017–2021 (in %)*



much lower than in the years following the introduction of enforcement in Austria *(> Chart 37).*

A total of eight individual errors were identified at six companies. The errors related to business combinations (IFRS 3), the measurement of non-financial assets (IAS 36, impairment testing), the accounting for financial instruments (IFRS 9, IAS 39) and recognition of revenue (IFRS 15).

PREVENTION

As the authority responsible for financial reporting enforcement, the FMA's strategy is geared towards the prevention of reporting errors.

To avoid errors from the outset, the FMA not only takes measures in accordance with the RL-KG but also carries out special analysis in relation to particularly relevant topics (thematic reviews), post-implementation reviews and analysis, generally based on the Authority's close working relationship with ESMA. The following analysis carried out during the reporting year is particularly significant:

- The FMA worked on the ESMA Public Statement promoting transparency regarding accounting for the third series of the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III) and carried out a risk-based cross-sectional analysis of the financial reports prepared by Austrian issuers. The FMA used a range of information notices to alert individual companies to existing irregularities, thereby helping to improve the quality of reporting.
- It also supported ESMA as it prepared an analysis of banks' reporting on financial instruments and expected credit losses.
- Finally, the FMA issued an information notice drawing two Austrian companies' attention to existing irregularities in their presentation of financial instruments (IAS 1, IFRS 7).

In the course of a pre-clearance procedure, the FMA analysed and explained an IFRS technical enquiry. During several workshops attended by representatives of the insurance industry, the impact of implementing the new rules on the accounting of insurance contracts (IFRS 17) was discussed and the foundation laid for an early clarification of complex accounting issues.

The FMA conducted an intensive dialogue with issuers and stakeholders on the publication for the first time of annual financial reports in the European Single Electronic Format (ESEF). The FMA technically validated the annual financial reports published in the ESEF format, notified the companies of any anomalies and supported them with any necessary corrections.

INTERNATIONAL COOPERATION

The FMA supports the goal of uniform interpretation of accounting rules in Europe and is involved in the technical work carried out by the ESMA committees. In this context, it responded to just under 150 technical enquiries and data requests on international accounting and non-financial reporting in 2021. European enforcement cases were discussed on an anonymous basis, with the FMA itself referring three accounting cases to the relevant ESMA working group.

The FMA also supported the technical accounting-related work of the EMSA, EBA and ESRB working groups. This work mainly covered the topics of financial instruments (IFRS 9), insurance contracts (IFRS 17) and non-financial reporting.

ENFORCEMENT, SANCTIONS AND LAW

ADMINISTRATIVE PENAL PROCEEDINGS

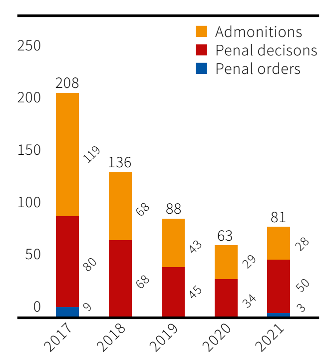
In 2021 the FMA continued to follow its strategic approach of only taking action against the legal person (i. e. the company that is responsible for the breach) in its administrative penal proceedings, where possible. Following the entry into force of the supervisory reform on 3 January 2018, the FMA may now decide to refrain from also punishing responsible natural persons – such as managing directors or other special responsible representatives pursuant to Article 9 of the Administrative Penal Act (VStG; *Verwaltungsstrafgesetz*) – if an administrative penalty is already being imposed on the legal person for the very same breach and no particular circumstances preclude the option of refraining from punishing the natural persons. However, based on recent rulings by the Supreme Administrative Court (VwGH), refraining from punishing natural persons is in fact only possible after the legal person has been punished with final effect, and the number of pending and discontinued proceedings in the reporting year must be viewed against this background. After all, these proceedings also include those that were initiated against persons held liable for the breach during the prosecution of legal persons and that have mostly been discontinued after the legal person was punished.

At the beginning of 2021, 162 administrative penal proceedings were pending at the FMA. A further 221 proceedings were initiated later in the year, and 107 were discontinued. At the end of 2021, 191 administrative penal proceedings were still pending. The FMA refrained from initiating proceedings after preliminary investigations in 274 cases, and advised rather than punished in one case. In 167 of those cases, the FMA made use of its discretionary power to refrain from prosecuting altogether, including action against the legal person, since the breach had not been significant (principle of opportunity). These extended discretionary powers allow the FMA to concentrate its resources on significant and complex proceedings that will require more work.

In the year 2021 the FMA issued 50 penal decisions (2020: 34) and 3 penal orders (2021: 0) *(> Chart 38)*. However, since it is important to the FMA to send out the correct preventive signals and to show that it will not tolerate even minor offences, the Authority also issued 28 admonitions and admonition orders (2020: 29). The penal decisions and penal orders related to 56 facts or cases in total.

The number of penal decisions and cases does not always correlate. Firstly, in individual cases the FMA may impose more than one sanction, for instance when cases relate

***Chart 38:** Penal decisions and admonitions 2017–2021*

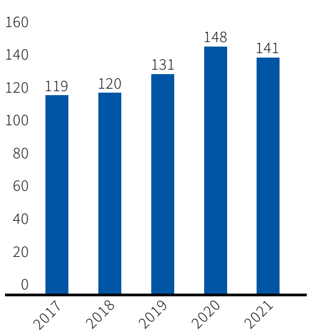


to several natural persons or when both legal and natural persons are being punished. Secondly, for reasons of efficiency, several cases are often dealt with by one penal decision, resulting in only one overall penalty.
With the 50 penal decisions and three penal orders it issued in 2021, the FMA imposed fines totalling € 2 617 076; the highest fine was € 235 000.
In the interests of transparency and prevention, the FMA publishes notices of sanctions on its website. In line with European requirements, these sanctions are increasingly being publicised alongside added information on the individuals concerned.

STATEMENTS OF FACTS AND REPORTS TO CRIMINAL PROSECUTION AUTHORITIES

Some of the laws included in the FMA's supervisory remit also cover criminal offences. Where the FMA has reasonable grounds to suspect that one of these laws has been breached, it must file a report with the public prosecutor's office or the criminal investigation department, which is required to investigate the facts of the case. The courts of law are then responsible for imposing sanctions. Examples of such offences include insider dealing and market manipulation as prohibited by the Stock Exchange Act (BörseG; *Börsegesetz*) where amounts exceeding defined limits are involved, or infringements of banking secrecy rules.
As part of its supervisory activity, however, the FMA also repeatedly becomes aware of other circumstances that cause it to suspect that a criminal offence has been committed in an area of the law monitored by another authority. If this is the case, the FMA must report such circumstances to the authority in question. Most frequently, this concerns suspected fraud or embezzlement.
In 2021 the FMA submitted 141 statements of the facts to the public prosecutors (2020: 148) *(> Chart 39)*. All these statements related to suspected breaches of the Criminal Code (StGB; *Strafgesetzbuch*).

***Chart 39:** Facts reported to public prosecutors 2017–2021*



SELECTED ADMINISTRATIVE PROCEEDINGS

ADMINISTRATIVE (PENAL) PROCEEDINGS

REGISTRATION OBLIGATION FOR VASPS

Since 10 January 2020, certain providers of cryptoassets, so-called virtual asset service providers (VASPs), have been subject to the Financial Markets Anti-Money Laundering Act (FM-GwG; *Finanzmarkt-Geldwäschegesetz*) and the FMA is therefore required to also monitor these providers' compliance with anti-money laundering (AML) and countering the financing of terrorism (CFT) provisions. For this purpose, VASPs intending to pursue activities in the Austrian market first need to register with the FMA. During registration, the FMA checks that all statutory provisions are being met.
Before the FMA looks into the VASP's business model, internal control system and AML/CFT strategies and procedures, it first subjects that VASP's managers and persons with a qualifying holding to a "fit and proper" test. If one of these individuals fails the test, the FMA will issue an administrative decision rejecting the registration application.
In two cases, the providers in question filed an appeal against the FMA decision with

the Federal Administrative Court (BVwG), which confirmed the FMA's course of action. The FMA's administrative decisions are therefore final.

INVESTOR WARNING

The law allows the FMA to make public announcements warning potential investors about providers that are unauthorised. In one case, the FMA prohibited the commercial provision of investment services by a company that did not hold a licence (not yet legally effective) and simultaneously warned against doing business with that provider by issuing a warning notice.

In the course of the subsequent proceedings to review the lawfulness of the publication, the BVwG confirmed that the FMA had reason to assume, based on the content of the service provider's website at the time, that the activities were subject to licensing requirements and the provider had therefore acted illegally; the website was subsequently changed following the FMA's announcement. The design of the website gave the impression that the provider was engaging in the commercial provision of investment services, which would have required a licence. At the time of publication, the service provider had therefore given cause for the announcement. The announcement had thus been necessary and also – with a view to the high financial risk for potential investors – proportionate (BVwG 25 August 2021, W158 2239183-1). The service provider brought an extraordinary petition for review to the VwGH, which was still pending at the time of this report being prepared.

PUBLICATION OF SANCTIONS

The publication of imposed administrative penalties on the FMA's website plays an important part in achieving more transparency in the Austrian financial market. From the perspective of the companies in question, however, such a publication often threatens their reputation and might be a serious infringement of those companies' legal sphere. The FMA must therefore verify in advance that a publication would be proportionate, particularly if sanctions are to be published before the requisite penal decision has become legally effective, i.e. before the BVwG is able to rule on a possible complaint.

The VwGH issued essential clarifications on the proportionality and thus lawfulness of publications in July 2021. In the event of an announcement where an individual's name is published, that individual's reputation would be seriously affected given the inherent nature of the announcement. Consequently, this circumstance alone, without the addition of further circumstances, would not constitute a disproportionate disadvantage. On the issue of the proportionality of publications before legal effectiveness as part of discretionary decisions, the BVwG initially ruled that such publication would only be proportionate in a situation of urgency, in other words in order to avert danger. The VwGH did not follow this point of view. Accordingly, the respective interests of the parties concerned must be weighed up, with particular account being taken of the interests of the public in a transparent capital market that complies with European and national provisions.

DETERMINATION OF PENALTIES

European law provides for some high penalties, which is why the determination of penalties has become more and more important. In a fundamental case in this matter, the BVwG ruled on an appeal brought by an investment fund management

company against a penal decision due to a delay in that company reporting that its equity stake in an issuer had fallen below the 4% threshold. The question centred first and foremost around the appropriateness of the imposed sanction, specifically in the absence of many comparable cases in Austria (in contrast to Germany where there had been such breaches of the obligation to disclose major holdings) at the time of the sanction being imposed.
The BVwG found no fault with the FMA's system of calculating the penalty on a base amount plus surcharges or discounts, as applicable in the specific case. In its calculation, the Court merely applied an additional discount in this case, reducing the imposed penalty from an original € 279 200 to € 239 200 and thereby only upholding the appeal with regard to the amount of the penalty. However, by recognising the FMA's calculation model at the same time, the BVwG supported its practice of setting fines (a practice similar to the one applied in Germany).

PROCEEDINGS BEFORE THE SUPREME COURTS

REVIEW OF LEGAL NORMS IN RELATION TO OFFICIAL LIABILITY

In the course of official liability proceedings against the Republic of Austria in the case of Commerzialbank Mattersburg im Burgenland AG, several plaintiffs whose actions had been dismissed by a civil court in the first instance turned to the Constitutional Court (VfGH) requesting a review of the second sentence of Article 3 para. 1 of the Financial Market Authority Act (FMABG; *Finanzmarktaufsichtsbehördengesetz*). According to the contested provision, bank customers who have suffered damage may not assert a claim for official liability on account of alleged misconduct on the part of bodies or employees of the FMA.
The VfGH confirmed the constitutionality of the contested norm in its decision (16 December 2021, G 224/2021 and others), arguing that the regime of banking supervision serves to protect the functioning of the banking sector and the goal of abstract creditor protection but not to protect individual bank customers. The second sentence in Article 3 para. 1 FMABG does not exclude the Federal Government's official liability for illegal or negligent conduct per se, but admissibly limits it to direct damage to the legal entities subject to supervision. The VfGH therefore does not consider the provision in the second sentence of Article 3 para. 1 FMABG a breach of Article 23 of the Federal Constitutional Law (B-VG; *Bundes-Verfassungsgesetz*) or of the rule of equality or the right to property.

CONSTITUTIONAL COURT

The Constitutional Court (VfGH) rejected or dismissed all complaints filed against decisions of the BVwG during the year under review for reasons of them being unsuited for further consideration.
The VfGH referred, for example, in one of its statements of reasons to the established practice in relation to the requirement of legal certainty pursuant to Article 18 B-VG. The Supreme Court assumed in this case too that, considering the varying areas of life, facts and legal consequences that may all be the object and content of statutory regulations, Article 18 B-VG requires a degree of certainty that is appropriate to the respective regulated matter. The VfGH did not find, however, that Article 190a para. 1 no. 1 in conjunction with para. 3, Article 190 para. 5 no. 1 as well as Article 42a para. 2 no. 4 of the Investment Fund Act 2011 (InvFG 2011; *Investmentfondsgesetz*) cannot

give rise to interpretation.

Furthermore, in an administrative penal matter relating to the breach of an ad hoc reporting requirement, the issue of potential breaches of the provision pertaining to taking evidence with technical equipment for audio and video transmission in oral proceedings was raised. The VfGH ruled the objection to be of no avail since the right to oral proceedings did not preclude the possibility of witnesses being examined by audiovisual means. The lawmaker is free, under the principle of equality, to apply different requirements to the audiovisual questioning of witnesses (abroad) in legal criminal proceeding compared with administrative (penal) proceedings.

The Court also declared the regulation on the suspension of deadlines in accordance with Article 2 no. 2 of the COVID-19 Accompanying Act (COVID-19-VwBG; *COVID-19-Begleitgesetz*) to be sufficiently specific.

SUPREME ADMINISTRATIVE COURT

With regard to proceedings before the Supreme Administrative Court (VwGH) in the reporting period, it should be noted that BVwG decisions were largely overturned following official FMA petitions for review or the dismissal of judicial reviews by a party. Specifically, there were two cases of decisions being overturned by official petitions and five dismissals of judicial reviews brought by a party. Additionally, the Court reversed one decision following a judicial review by a party, rejected one official petition for review and dismissed another.

As is evident, the FMA regularly refers legal questions arising from BVwG decisions that it considers fundamentally important to the VwGH to achieve legal clarity for its enforcement practice at the highest level.

BANK RESOLUTION

RESOLUTION PLANNING

During the year under review the FMA was responsible for the resolution planning of 397 banks (as at 1 January 2021). Eleven banking groups fell under the remit of the Single Resolution Board (SRB), which worked in cooperation with the FMA.

Of the banks for which the FMA has direct responsibility, 18 are of such significance to the Austrian market and its stability that resolution under the rules of the Bank Recovery and Resolution Act (BaSAG; *Bankensanierungs- und Abwicklungsgesetz*) should be considered in at least one of the examined scenarios. If the remaining more than 360 smaller institutions were to default, they would likely be liquidated in insolvency proceedings in accordance with the Austrian Insolvency Act (IO; *Insolvenzordnung*).

The FMA informed those banks for which resolution cannot be ruled out in a crisis situation about the results of its 2020 resolution planning. Furthermore, it prescribed an additional minimum requirement for own funds and eligible liabilities (MREL) to 16 of these banks, over and above their regular own funds requirements. This aims to ensure that, in the event of resolution, sufficient liabilities are available for loss absorption through write-downs and for the bank's recapitalisation through conversion into Common Equity Tier 1 capital.

As part of the revision of the resolution plans for these banks in the 2021 planning cycle, the submitted bail-in[1] playbooks were analysed, interrelationships in various banking sectors and liquidity requirements in resolution looked into, the enforceability of transfer strategies[2] evaluated, the effects of a bail-in in a banking sector examined, and the assessment of resolvability carried out. Resolution planning for 2021, including the setting of an MREL, will be completed during the first half of 2022 after evaluation of the comments from the SRB and the banking supervisor on the prepared plans.

Simplified resolution plans for the smaller banks were finalised in 2021; the banks were informed of the results of these plans, including the MREL.

For cross-border banks with resolution colleges, joint decisions on the resolution plans and MREL were prepared by the competent resolution authorities.

Upon the request of 16 banks for which resolution cannot be ruled out, general prior

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[1] *"Bail-in" refers to the resolution tool of creditor participation, and means that own funds and eligible liabilities are written down for loss absorption and converted into CET1 capital for the bank's recapitalisation.*

[2] *Transfer strategy refers to the transferring of critical functions and business areas to a buyer or bridge institution.*

permissions, limited to one year each, were granted for the reduction of MREL-eligible liabilities as from 1 January 2022. Those banks which would normally be liquidated in insolvency proceedings were granted permission in a simplified procedure.
Further work focused on implementation of the SRB policies on resolvability assessments and the assessment of public interest in resolution in a systemic scenario from 2022 onwards, as well as on a tool for separating critical functions and business areas in the event of resolution.

RESOLUTION FUND

***Chart 40:** Austrian contributions to the SRF 2017–2021 (in € millions)*

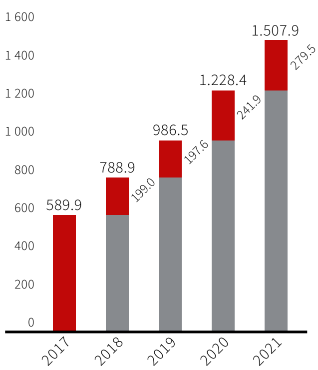
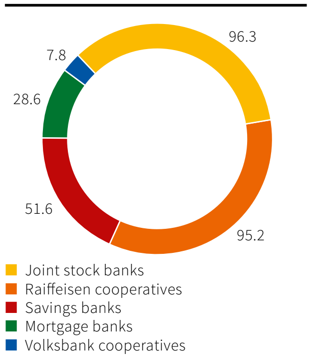


***Chart 41:** Contributions to SRF by banking sector 2021 (in € millions)*



Where the funds of a bank's shareholders, creditors and large depositors are insufficient to recapitalise an ailing institution under resolution, the SRB may arrange for the Single Resolution Fund (SRF) to step in. The SRF is based at the SRB and funded by all CRR credit institutions[3]. The target level of funding is 1% of the total covered deposits of these banks, to be achieved by the end of 2023.
The SRF calculates and sets the amount of each individual bank's contribution. The FMA, in its capacity as national resolution authority, is required to implement and enforce the SRF decisions at the banks under its supervisory remit. In 2021, at the SRF's instruction, the FMA issued emergency administrative decisions to request that 457 banks (456 institutions and one central institution) pay a total of € 279.5 million in SRF contributions, subsequently remitting these collected payments to the Fund. Since its inception in 2016, Austrian institutions have paid around € 1.5 billion to the SRF *(> Chart 40).* Over the same period, the number of institutions required to pay contributions has fallen from 605 in 2015 to 457 in 2021.
In the euro area, the area covered by the Single Resolution Mechanism (SRM), the contribution for 2021 was € 10.4 billion. The SRF's current level of funding is therefore approximately € 52 billion.
In a case pending before the European courts – also concerning an Austrian institution – on the legality of ex ante contributions, the Court of Justice of the European Union annulled the SRF decision on the calculation of ex ante contributions for 2017 on 15 July 2021 on the grounds that the statement of reasons was inadequate, but did not share European concerns about the relevant Commission Delegated Regulation (EU) 2015/63.

DRY RUN 2021

In its capacity as resolution authority, the FMA carried out its first dry run simulating the hypothetical resolution of a bank during the year under review. It was based on the assumption that a fictitious bank would default as defined in the BaSAG, and the resolution was played out according to the provisions of the resolution regime on two days in November, similar to a typical resolution weekend.
The most important aspect of the exercise was to test crisis management strategies together with external stakeholders in Austria. The results gained from the 2021 dry run will be used to enhance resolution plans and preparedness, and will be implemented as part of specific work packages.

[3] *CRR credit institutions are banks that take deposits or other repayable funds from the public and grant credits for their own account. Only these institutions are covered by the Capital Requirements Regulation (CRR).*

RESOLUTION PROCESSES

HETA ASSET RESOLUTION AG

The FMA, in its capacity as national resolution authority, successfully completed the resolution of HETA Asset Resolution AG (HETA), the wind-down unit for the former Hypo Alpe Adria banking group established in 2014 pursuant to the Act on the Creation of a Wind-down Unit (GSA; *Gesetz zur Schaffung einer Abbaueinheit*) and the BaSAG, in the reporting year.

The resolution results achieved greatly exceed HETA's original targets, mainly due to the resolution strategy having been consistently implemented. The sustained positive progress is also reflected in the final payment rate of 86.32% of creditors' eligible non-subordinated liabilities as laid down in the third administrative decision in relation to the challenge procedure, which was issued on 13 September 2019 and contrasts with the 46.02% figure in the second emergency administrative decision of 10 April 2016, and in creditor claims being settled early. All in all, HETA paid a total of € 10.6 billion between 2017 and 2020 in four interim distributions to creditors of eligible non-subordinated liabilities, which equates to a rate of 85.12% of the original nominal value. HETA made a final distribution of € 149.2 million in October 2021, thereby achieving the final payment rate of 86.32%. While experts had originally expected the proceeds from the realisation of assets to come to around € 6 billion, the orderly nature of the resolution ultimately enabled HETA to distribute € 10.8 billion to creditors of eligible non-subordinated liabilities.

On 25 November 2021, HETA informed the FMA as the resolution authority of the successful completion of its portfolio reduction pursuant to Article 84 para. 11 BaSAG. Following completion of the portfolio reduction, the HETA general meeting passed a resolution on 15 December 2021 to dissolve the wind-down unit with effect from 31 December 2021, and appointed the board members as liquidators in the entity's liquidation under company law. The FMA as resolution authority issued a decision pursuant to Article 84 para. 12 BaSAG on 29 December 2021, ending the operation of the HETA wind-down unit.

HETA is now being liquidated under company law.

After conclusion of all legal proceedings relating to the three decisions ordering resolution measures that the FMA had issued in its capacity as resolution authority, the FMA published three edicts on its website declaring their final and binding effect in the reporting year.

KA FINANZ AG

KA Finanz AG (KF) has been operating as a wind-down entity as defined in BaSAG since 6 September 2017 following approval by the FMA. KF has since reduced its portfolio according to the wind-down plan approved by the resolution authority in 2017. Due to the changed wind-down strategy, a new wind-down plan was approved by the FMA in autumn 2021.

Under the FMA's supervision, the total assets of KF fell to € 3.6 billion as at 31 December 2020, compared with € 9.8 billion as at 31 December 2017. Total assets amounted to € 4.4 billion as at 30 June 2021. This fall is due to active portfolio reductions as well as scheduled and unscheduled repayments. KF's refinancing structure was changed in 2017 with the transition to a wind-down entity as defined in BaSAG. Since then, funding has been provided by the federal divestment company ABBAG.

INTERNAL MATTERS

BODIES

The executive bodies of the FMA are the Executive Board and the Supervisory Board. The Executive Board is responsible for managing the entire operation as well as the FMA's business transactions in accordance with the law and the Rules of Procedure. The Supervisory Board is responsible for monitoring the management and business operations of the FMA.

EXECUTIVE BOARD

In accordance with the Financial Market Authority Act (FMABG; *Finanzmarktaufsichtsbehördengesetz*), the Executive Board consists of two members with equal rights, one of whom is nominated by the Federal Minister of Finance and the other by the Oesterreichische Nationalbank. Both are appointed by the Federal President upon the proposal of the Federal Government for a five-year term of office, and may be reappointed for a second term. During the year under review, Helmut Ettl and Eduard Müller made up the Executive Board of the FMA. Helmut Ettl was reappointed on 28 November 2017 for another term of office starting in February 2018. Eduard Müller was appointed to serve as an interim member of the Executive Board on 1 February 2020 and for his first term of office as a regular member on 6 July 2020.

SUPERVISORY BOARD

The Supervisory Board of the FMA is composed of ten members *(> Figure 4)*. The Federal Minister of Finance (BMF) and the Oesterreichische Nationalbank (OeNB) each appoint four members, who are eligible to vote, while the Austrian Federal Economic Chamber (WKO) nominates two co-opted members without voting rights to represent the supervised companies. The latter have clearly delineated rights to obtain infor-

CHAIR:
Alfred Lejsek (BMF)

DEPUTY CHAIR:
Robert Holzmann (OeNB)

MEMBERS:		CO-OPTED MEMBERS:
Gottfried Haber (OeNB)	**Elisabeth Gruber** (BMF)	**Walter Knirsch** (WKO)
Gabriela De Raaij (OeNB)	**Beate Schaffer** (BMF)	**Franz Rudorfer** (WKO)
Karin Turner-Hrdlicka (OeNB)	**Dietmar Schuster** (BMF)	

Figure 4: *: Supervisory Board of the FMA (as at 31 Dec. 2020)*

mation. The ordinary members of the Supervisory Board are appointed by the BMF, whilst the members nominated by the WKO are co-opted by the Supervisory Board itself.

Pursuant to Article 10 para. 2 FMABG, the following measures require the approval of the Supervisory Board:

- The financial plan to be drawn up by the Executive Board including the investment and staff plan
- Investments, to the extent that they are not authorised in the investment plan, and the taking out of loans that exceed € 75 000 each
- The acquisition, disposal and encumbrance of real estate
- The financial statements to be drawn up by the Executive Board
- The Rules of Procedure pursuant to Article 6 para. 2 FMABG and changes thereto
- The Compliance Code pursuant to Article 6 para. 4 FMABG and changes thereto
- The appointment of employees of the FMA to leading functions directly subordinate to the Executive Board (second management level), as well as their dismissal and termination of employment
- The Annual Report to be drawn up pursuant to Article 16 para. 3 FMABG
- The conclusion of collective bargaining and works agreements.

In accordance with Article 9 para. 1 FMABG, the Supervisory Board is required to hold meetings at least once every calendar quarter. In 2021 the Supervisory Board convened on 3 March, 26 April, 17 April, 29 September, 19 November and 9 December.

At its meeting on 26 April 2021, the Supervisory Board unanimously discharged the Executive Board for the 2020 financial year pursuant to Article 18 para. 4 FMABG

__Figure 5:__ Organisation chart of the FMA (as at 31 Dec. 2021)

EXECUTIVE BOARD
Executive Board Affairs and Public Relations
Helmut Ettl
Eduard Müller

- Enforcement and Law[1] – **Peter Wanek**
- Internal Audit – **Martin Schmöltzer**

- DEPARTMENT I Banking Supervision – **Michael Hysek**
  - DIVISION I/1 Horizontal Banking Supervision – **Eva-Désirée Lembeck-Kapfer**
  - DIVISION I/2 Supervision of Significant Banks – **Philipp Kaiser-Hiebinger**
  - DIVISION I/3 Supervision of Joint Stock Banks, Payment Institutions and Deposit Guarantee Schemes – **Christian Saukel**
  - DIVISION I/4 Supervision of Decentralised Credit Institutions – **Johann Palkovitsch**
  - DIVISION I/5 Supervision of Large Regional Banks – **Marion Göstl-Höllerer**
- DEPARTMENT II Insurance and Pension Supervison – **Peter Braumüller**
  - DIVISION II/1 General Insurance and Pension Supervision Issues – **Stanislava Saria**
  - DIVISION II/2 Prudential Supervision of Insurance and Pension Companies – **Stephan Korinek**
  - DIVISION II/3 On-Site Inspection and Internal Models of Insurance and Pension Companies – **Andreas Hell**
  - DIVISION II/4 Analysis and Statistics of Insurance and Pension Companies – **Karl Proschofsky-Spindler**
- DEPARTMENT III Securities Supervision – **Birgit Puck**
  - DIVISION III/1 Markets and Exchanges Supervision – **Gabriele Klein-Gleissinger**
  - DIVISION III/2 Investment Firms – **Joachim Hacker**
  - DIVISION III/3 Asset Management – On- and Off-Site Analysis – **Robert Hellwagner**
  - DIVISIONIII/4 Asset Management, Capital Market Prospectus and Consumer Information – **Andrea Mörtl**
- DEPARTMENT IV Integrated Supervision – **Katharina Muther-Pradler**
  - DIVISION IV/1 Integrated Financial Markets – **Patrick Darlap**
  - DIVISION IV/2 International and Legislative Affairs – **Christoph Kapfer**
  - DIVISION IV/3 Rules of Conduct and Compliance – **Martina Andexlinger**
  - DIVISION IV/4 Combat against Unauthorised Business – **Markus Öhlinger**
  - DIVISION IV/5 Prevention of Money Laundering and Terrorist Financing – **Christoph Kodada**
- DEPARTMENT V Services – **Markus Pammer**
  - DIVISION V/1 Human Resources and Strategic Organ-isation Development – **Robert Peterka**
  - DIVISION V/2 Finance and Controlling – **Rudolf Geringer**
  - DIVISION V/3 IT Systems – **Hansjörg Kainz**
  - DIVISION V/4 Service and Documentation – **Alfred Steininger**
- DEPARTMENT VI Bank Resolution – **Oliver Schütz**

[1] *Corporate Compliance Officer reports directly to the Executive Board.*

STAFF

NUMBER OF STAFF

The Supervisory Board had approved a staffing target of 398 full-time equivalents (FTEs) for 2021. The number of staff employed by the FMA as at 31 December 2021 was 389.99 FTEs, with an actual 427 employees (excluding those on leave) working for the Authority in the reporting year. A breakdown of the planned distribution of staff among the individual departments compared with the actual figures is shown in *Table 30.*

The staff turnover rate stood at 6.01% in 2021, significantly lower than the figure of 6.85% for 2020. The turnover rate does not include those employees whose fixed-term contracts expired during the year. The low rate is attributable to the high level of job satisfaction amongst FMA staff. The FMA provides staff members working in highly specialised sectors of the financial market with excellent opportunities to assume positions of responsibility and to contribute to the further development of supervisory tasks.

The number of civil servants assigned to duty at the FMA by the Federal Ministry of Finance fell to 9.8 FTEs as a result of one individual retiring. In a year-on-year comparison, the percentage of civil servants in proportion to all employees declined from 2.77% to 2.51% by the end of 2021; this percentage was still as high as 10% in 2007. The number of contractual employees has remained practically unchanged at 4.5 FTEs, or 1.15% of all FMA staff. On average, FMA employees are 43 years of age. The share of part-time employees was 26.70% in 2021, with parents on part-time leave accounting for most cases. The percentage of women in relation to total staff grew slightly, from 55.08% to 56.67%. Among management positions, the proportion

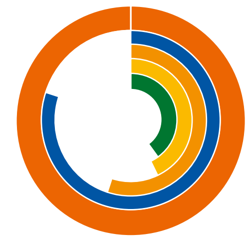
***Table 30:** Planned and actual staffing levels in FTEs in 2021*

	Planned staffing levels as at 31 Dec.	Actual staffing levels as at 31 Dec.	Difference in %
Executive Board Affairs, Enforcement and Law, Internal Audit	28.00	27.88	–0.45
Banking Supervision	78,50	76.98	–1.94
Insurance and Pension Supervision	58.00	56.50	–2.59
Securities Supervision	85.15	84.60	–0.65
Integrated Supervision	73,25	71.18	–2.83
Services	51.10	50.21	–1.74
Bank Resolution	24.00	22.65	–5.63
Total	**398.00**	**389.99**	**–2.01**

Differences arising from rounding to two decimal places are ignored.

of women remained at 42%, while the share of university graduates continued to increase, up from 81.80% to 83.37%. The proportion of employees with additional qualifications was 47.07% in 2021 *(> Chart 42)*; examples of such qualifications include a second degree, postgraduate training, or certification as a lawyer or tax consultant. This share amounts to 60.66% when the 58 active employees are taken into account who successfully completed the two-year postgraduate university programme in Financial Market Supervision. The course of study for working students was developed jointly by the FMA, OeNB and the Vienna University of Economics and Business (WU).

***Chart 42:** Expert organisation FMA*



- **83.37%** with degree
- **56.67%** women
- **42%** women in management positions
- **47.07%** with additional qualifications

HR DEVELOPMENT

As an organisation of experts, the continuing professional development of its employees is a top priority for the FMA. Its personnel development programme encompasses a broad but tailored range of measures for the different target groups and requirements.

- Executive development programme
- Master in Financial Supervision programme (Professional Master – PM), offered jointly with the OeNB at the WU Executive Academy
- FMA Academy
- International seminars organised by the European System of Financial Supervision or other international organisers
- Third-party seminars based on executives' individual requirements.

FMA ACADEMY

The FMA Academy offers seminars tailored to certain target groups (new employees, assistants, officers, specialists and experts, executives etc.) and designed to impart specific skills (specialist skills, self-management and social skills, skills in methods, language skills etc.). The offer comprises internal and external seminars, national and international courses, e-learning opportunities, study visits, staff exchanges, as well as our Master in Financial Supervision programme (Professional Master – PM), offered jointly with the OeNB and WU.

The FMA Academy organised a total of 166 seminars, workshops and lectures in which 2 153 individuals participated in 2021, with most of these sessions being held online. In addition to these centrally organised seminars, FMA staff attended 408 specialised training courses at third-party educational institutions targeted at individual career development in their specific fields.

In 2021 FMA staff members also attended 88 international seminars at our European partner institutions, which included the European Central Bank (ECB), the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Banking Authority (EBA), the Single Resolution Board (SRB), the European Supervisor Education Initiative (ESE), as well as partner authorities and other international organisers.

EXECUTIVE DEVELOPMENT

In 2021 FMA executives had the choice of both tried-and-tested and new development measures. As in the previous year, the particular challenges posed by the COVID-19 pandemic were taken into account. Additionally, as a consequence of the new FMA

Working from Home Policy, executives had the choice of specific training in, for example, hybrid leadership, hybrid meetings and online leadership.

INTERNATIONAL NETWORKING

Owing to the pandemic, physical meetings were severely restricted in the reporting year, but HR management's cooperation with European institutions, such as the ECB, SRB and the ESAs, continued to be maintained and fostered.
As part of this cooperation, twelve FMA employees were seconded to the following organisations in 2021: ECB (7), European Commission (2), European Council (1), EBA (1) and SRB (1). The majority of these secondments took place under host-based contracts where the receiving institution pays the expenses for the seconded FMA staff members.
In the summer of 2021, the ECB initiated a staff exchange programme called the SSM SWAP Programme. The FMA cooperates with the OeNB in this programme. Its aim is to facilitate the reciprocal exchange of staff from various hierarchical levels at the FMA, OeNB and ECB in the 2022 calendar year, enabling professional and cultural exchange between these organisations.
After all study visits had to be cancelled due to the pandemic in 2020, three of the exchange programmes were resumed in the reporting year. In concrete terms, one staff member visited the ECB in Frankfurt, another went to ESMA in Paris and a third member of staff spent time at the IAIS in Basle.
Contacts with the European Commission were also intensified. One member of staff has been seconded to DG III since September to help work on the crisis management and deposit insurance (CMDI) framework review and to develop a resolution regime for insurance undertakings. Similarly, one employee from the FMA's banking resolution team joined the crisis management team at the ECB within the SSM.

RECONCILIATION OF WORK AND FAMILY LIFE

The FMA has taken part in the "workandfamily" audit since 2013, which aims to establish family-minded corporate cultures and to work on corresponding measures. Initial certification took place in November 2013 and, following a re-audit, the FMA was awarded the full certificate "workandfamily" by the Austrian Federal Ministry for Labour, Family and Youth in 2017. In the course of another re-audit in 2020 additional measures were determined, which have since been implemented step by step.
The biggest milestone was the revision of the FMA's Teleworking and Working from Home Policy, which has been modified in light of the lessons learned from the pandemic and related lockdowns.

INTERNAL COMMUNICATION

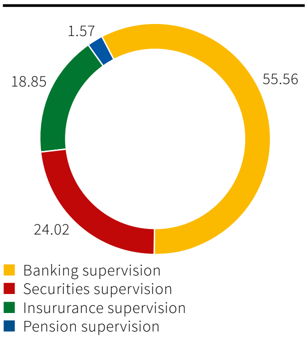
Due to the COVID-19 pandemic and the lack of personal interaction in the office, internal communication and information sharing took on a special significance. One channel that was used particularly intensively was the FMA intranet. For example, a discussion forum was set up to make it easier for all staff members to exchange views on certain issues, and multimedia content was published on various subjects. To liven things up, various interactive initiatives were launched in which all employees could participate; the individual contributions were then compiled and made available to all employees. Staff information events were also moved entirely online.

FINANCE AND CONTROLLING

FINANCING

The FMA's finances are based on three pillars, as stipulated in the Financial Market Authority Act (FMABG; *Finanzmarktaufsichtsbehördengesetz*):
Firstly, the FMA receives an annual lump sum of € 4 million from the federal budget as prescribed by law. In addition, the FMA is entitled to a federal contribution for expenses incurred in connection with the regulatory sandbox, which was set up in 2020; this contribution was calculated on a pro rata basis for 2020 and amounted to € 500 000. Secondly, in its capacity as an authority, the FMA may levy fees for particular services as defined by law. And thirdly, the remaining amount is contributed by the supervised entities according to the share of costs incurred in each case.
Moreover, in its capacity as national resolution authority for banks, the FMA may request that the institution under resolution reimburse the Authority for all reasonable expenses properly incurred in connection with the application of a resolution tool or exercise of its resolution power.
Pursuant to Article 19 FMABG, four accounting groups are to be set up for the apportionment of costs to the supervised entities according to the share incurred in each case: banking, insurance, securities and pension supervision, each of which is then further divided into subgroups *(> Chart 43).*
The FMA uses the data recorded in its time and performance tracking system (ZLES) as the basis for allocating personnel expenses to the accounting groups, as stipulated in the FMABG, according to the share incurred.
After deducting the federal contribution, the collected fees and other income from the overall costs, the share of remaining costs accounted for by each accounting group can be calculated. This share is then allocated and charged to each individual supervised entity in line with the statutory provisions.

Chart 43: *Supervisory costs in 2021, apportionment to accounting groups (in %)*



PAYMENT NOTICES

In accordance with Article 19 FMABG, the supervised companies are required to reimburse the FMA for all the costs that cannot be covered by other means. These costs are determined using the financial statements and statement of costs. The respective amount to be paid by each company is determined on the basis of the data reported by the supervised companies themselves or by the Vienna Stock Exchange.
The FMA Cost Regulation (FMA-KVO; *FMA-Kostenverordnung*) specifies the reimbursement of costs (calculation of actual costs), the implementation of advance payments

per accounting group and the apportionment among the entities liable to pay costs, including deadlines for the payment notices and for payments.
The FMA issued the payment notices for the actual costs incurred in 2020 in November 2021, together with those for the advance payments for 2022. Compared with one year earlier, when some 2 500 payment notices were issued, the number of notices has remained stable. Based on the actual costs of 2020 minus the advance payments made that year, the entities liable to pay costs were charged an additional € 0.2 million for 2020.

FINANCIAL STATEMENTS 2021

According to Article 18 FMABG, the Executive Board is required to submit the audited financial statements including the statement of costs to the Supervisory Board for approval within five months of the previous financial year-end. BBW Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH carried out the statutory audit of the FMA's financial statements and statement of costs for 2021 as well as of the resolution financing arrangement's balance sheet and income statement for 2021 and issued unqualified opinions in each case, confirming compliance with the statutory provisions. In accordance with Article 10 para. 2 no. 4 FMABG, the Supervisory Board approved the 2021 financial statements of the FMA and of the resolution financing arrangement on 26 April 2021.
The share contributed by entities liable to pay costs dropped by around € 2.0 million compared with 2020 to approximately € 60.8 million in the reporting year of 2021. This decline was mainly due to higher income:

- Federal contributions grew by € 0.3 million to € 4.5 million, as the federal contribution for the regulatory sandbox pursuant to Article 23a para. 8 FMABG was transferred to the FMA in full (€ 0.5 million) for the first time in 2021.
- The income from fees and the allocation of costs and other income rose by € 3.4 million, since higher income from authorisation fees in banking and securities supervision were recorded and virtual asset service providers, which are now liable for registration, also had to make a cost contribution.
- Finally, reserves in the amount of € 0.4 million were released pursuant to Article 20 FMABG.

Personnel expenses, which make up nearly four fifth of the FMA's entire costs, increased by € 0.9 million to € 48.1 million. This is due to the number of staff having risen by an average of six FTEs compared with 2020, and also the result of adjustments to the salary scale pursuant to the new collective agreement for banks, as well as annual salary progressions. The rise in these expenses has been lower than in previous years, which is mainly attributable to lower provisioning requirements, particularly for unused holiday entitlement.
Other operating expenses were up by € 0.7 million to total € 24.6 million, particularly as a result of membership fees for international organisations increasing by € 0.4 million and expenses for continuing professional development growing by € 0.2 million.

CHARTS

TABLES

FIGURES

ABBAG	*Federal divestment company*
AFREP	*Austrian Financial Reporting Enforcement Panel*
AG	Aktiengesellschaft *(joint stock company)*
AIF	*Alternative Investment Fund*
AIFM	*Alternative Investment Fund Manager*
AIFMG	Alternatives Investmentfonds Manager-Gesetz (*Alternative Investment Fund Managers Act)*
AML/CFT	*Anti-Money Laundering/Countering the Financing of Terrorism*
AMS	*Public Employment Service Austria*
APAB	*Austrian Audit Oversight Authority*
APP	*Asset Purchase Programme*
ATX	*Austrian Traded Index*
BaFin	*Federal Financial Supervisory Authority (Germany)*
BaSAG	Bankensanierungs- und Abwicklungsgesetz *(Bank Recovery and Resolution Act)*
BCG	*Basel Consultative Group*
BMASK	*Federal Ministry of Social Affairs, Health, Care and Consumer Protection*
BMF	*Federal Ministry of Finance*
BMR	*Benchmarks Regulation*
BMSVG	Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz *(Company Employee and Self-Employment Provisions Act)*
BörseG	Börsegesetz *(Stock Exchange Act)*
BVwG	*Federal Administrative Court*
BWG	Bankwesengesetz *(Austrian Banking Act)*
CCP	*Central Counterparty*
CCP.A	*Central Counterparty Austria GmbH*
CESEE	*Central, Eastern and South-Eastern Europe*
CFD	*Contract for Difference*
CIS	*Commonwealth of Independent States*
CRR	*Capital Requirements Regulation*
CSA	*Common Supervisory Action*
CSDR	*Central Securities Depositories Regulation*
DAX	*German stock index*
DG	*Directorate-General*
DLT	*Distributed Ledger Technology*
DORA	*Digital Operational Resilience Act*
EBA	*European Banking Authority*
EC	*European Commission*
ECB	*European Central Bank*
EEA	*European Economic Area*
EIOPA	*European Insurance and Occupational Pensions Authority*
EMIR	*European Market Infrastructure Regulation*
ESAs	*European Supervisory Authorities*
ESE	*European Supervisor Education Initiative*
ESEF	*European Single Electronic Format*
ESFS	*European System of Financial Supervision*
ESG	*Environmental, Social and Governance*
ESMA	*European Securities and Markets Authority*
ESRB	*European Systemic Risk Board*
ETF	*Exchange Traded Fund*
EU	*European Union*
EURIBOR	*Euro Interbank Offered Rate; three-month interbank rate*
EuroCCP	*European Central Counterparty N.V. (Netherlands)*
EuVECA	*European Venture Capital Fund*
FATF	*Financial Action Task Force*
FCA	*Financial Conduct Authority (UK)*
Fed	*Federal Reserve (USA)*
FinTech	*Financial Technology*
FMA	*Financial Market Authority (Austria)*
FMABG	Finanzmarktaufsichtsbehördengesetz *(Financial Market Authority Act)*
FMSB	*Financial Market Stability Board*
FOLTF	*Fail Or Likely To Fail*
FSB	*Financial Stability Board*
FSMA	*Financial Services and Markets Authority (Belgium)*
FTE	*Full-Time Equivalent*
FTSE	*Financial Times Stock Exchange Index*
GDP	*Gross Domestic Product*
GIMAR	*Global Insurance Market Report*
GmbH	Gesellschaft mit beschränkter Haftung *(limited liability company)*
GSA	Bundesgesetz zur Schaffung einer Abbaueinheit *(Federal Act on the Creation of a Wind-down Unit)*
HETA	*HETA Asset Resolution AG*
HSV	*Main Association of Austrian Social Security Institutions*
IAIS	*International Association of Insurance Supervisors*
IAS	*International Accounting Standards*
ICO/STO	*Initial Coin Offering/Security Token Offering*
ICT	*Information and Communications Technology*
IDD	*Insurance Distribution Directive*
IDV	Identifikationsverordnung *(Identification Regulation)*
IFRS	*International Financial Reporting Standards*
IG	*Investment Grade*
IHS	*Institute for Advanced Studies*
IMF	*International Monetary Fund*
ImmoInvFG	Immobilien-Investmentfondsgesetz *(Real Estate Investment Fund Act)*
Immo-KAG	*Real estate investment fund management company*
InvFG	Investmentfondsgesetz *(Investment Fund Act)*
IOPS	*International Organisation of Pension Supervisors*
IOSCO	*International Organization of Securities Commissions*
IRG	*Investment and Risk-sharing Group*
IRTs	*Internal Resolution Teams*
JSTs	*Joint Supervisory Teams*
KAG	*Investment fund management company*
KF	*KA Finanz AG*
KIID	*Key Investor Information Document*
KMG	Kapitalmarktgesetz *(Capital Market Act)*
KStG	Körperschaftsteuergesetz *(Corporate Tax Act)*
KVO	Kostenverordnung *(Cost Regulation)*
LIBOR	*London Interbank Offered Rate*
LSI	*Less Significant Institution*
MiCAR	*Markets in Crypto-Assets Regulation*
MiFID	*Markets in Financial Instruments Directive*
MiFIR	*Markets in Financial Instruments Regulation*
MMIT	*Market Manipulation Insider Tracer*
MMoU	*Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information*
MoU	*Memorandum of Understanding*
MREL	*Minimum Requirement for Own Funds and Eligible Liabilities*
MSCI	*Emerging Markets Index*
MTF	*Multilateral Trading Facility*
NASDAQ	*National Association of Securities Dealers Automated Quotations; stock exchange in New York*
NCA	*National Competent Authority*
NGFS	*Network for Greening the Financial System*
NRA	*National Resolution Authority*
OECD	*Organisation for Economic Co-operation and Development*
OeKB	*Oesterreichische Kontrollbank AG*
OeNB	*Oesterreichische Nationalbank*

ORSA	*Own Risk and Solvency Assessment*
PACTA	*Paris Agreement Capital Transition Assessment*
PELTROs	*Pandemic Emergency Longer-Term Refinancing Operations*
PEPP	*Pandemic Emergency Purchase Programme*
PEPP	*Pan-European Personal Pension Product*
PK	Pensionskasse *(pension company)*
PM	*Professional Master*
POG	*Product Oversight and Governance*
PRIIP	*Packaged Retail and Insurance-based Investment Product*
RCG	*Regional Consultative Group*
RegTech	*Regulatory Technology*
RL-KG	Rechnungslegungs-Kontrollgesetz *(Financial Reporting Enforcement Act)*
RWA	*Risk-Weighted Assets*
S&P	*Standard & Poor's*
SCR	*Solvency Capital Requirement*
Security-oriented IRG	*Security-oriented investment and risk sharing group*
SFDR	*Sustainable Finance Disclosure Regulation*
SFTR	*Securities Financing Transactions Regulation*
SI	*Significant Institution*
SME	*Small and Medium-sized Enterprise*
SRB	*Single Resolution Board*
SREP	*Supervisory Review and Evaluation Process*
SRF	*Single Resolution Fund*
SRM	*Single Resolution Mechanism*
SSM	*Single Supervisory Mechanism*
Sub-IG	*Sub-Investment Group*
SupTech	*Supervisory Technology*
TCMB	*Central Bank of the Republic of Türkiye*
TLTRO III	*Targeted Longer-Term Refinancing Operation (third series)*
TREM	*Transaction Reporting Exchange Mechanism*
UCITS	*Undertakings for Collective Investment in Transferable Securities*
UCITS KIID	*UCITS Key Investor Information Document*
VASP	*Virtual Asset Service Provider*
VfGH	*Constitutional Court*
VIG	*Vienna Insurance Group*
VStG	Verwaltungsstrafgesetz *(Administrative Penal Act)*
VwGH	*Supreme Administrative Court*
WIFO	*Austrian Institute of Economic Research*
WKO	*Austrian Federal Economic Chamber*
WKStA	*Central Public Prosecutor for Economic Crime and Corruption*
WU	*Vienna University of Economics and Business*
ZLES	*Time and performance tracking system*

FINANCIAL MARKET AUTHORITY
FINANCIAL STATEMENTS 2021

FINANCIAL STATEMENTS 2021

AUDITOR'S REPORT
REPORT ON THE FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the financial statements of the Financial Market Authority (FMA), Vienna, consisting of the balance sheet as at 31 December 2021, the income statement for the financial year then ended, as well as the notes. The statement of costs pursuant to Article 19 FMABG was also part of our audit.

In our opinion, the attached financial statements comply with the legal provisions and give a true and fair view of the net assets and the financial position as at 31 December 2021 as well as the results of operations of the Financial Market Authority (FMA) for the financial year then ended, in accordance with Austrian company law and the special legal provisions in Article 18 FMABG. The statement of costs pursuant to Article 19 FMABG complies with the statutory provisions.

BASIS FOR AUDIT OPINION

We conducted our audit in accordance with the Austrian standards of proper auditing. These standards require us to apply the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the section "Auditor's responsibilities for the audit of the financial statements" of our auditor's report. We are independent from the Financial Market Authority (FMA), as required in accordance with Austrian company law and professional regulations, and we have fulfilled our other professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained by 7 April 2022 is sufficient and appropriate to provide a basis for our audit opinion up to that date.

LEGAL REPRESENTATIVES' AND SUPERVISORY BOARD'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The legal representatives of the Financial Market Authority (FMA) are responsible for the preparation of the financial statements and for ensuring that they give a true and fair view of the net assets, financial position and results of operations of the FMA in accordance with Austrian company law and the special legal provisions in Article 18 FMABG. The legal representatives are also responsible for any internal control procedures that they deem necessary to enable preparation of financial statements that are free from material misstatement, whether caused by fraud or other irregularity or error.

In preparing the financial statements, the legal representatives are responsible for assessing the Financial Market Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the legal representatives either intend to liquidate the FMA or to cease operations, or have no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Financial Market Authority's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and to issue an auditor's report including our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Austrian standards of proper auditing, which require us to apply the ISA, will always detect a material misstatement when it exists. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with Austrian standards of proper auditing, which require us to apply the ISA, we exercise professional judgment and maintain professional scepticism throughout the entire audit.
Additionally:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal controls.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financial Market Authority's internal control procedures.
- We evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- We conclude on the appropriateness of legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financial Market Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Financial Market Authority (FMA) to cease operating as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Supervisory Board of the Financial Market Authority (FMA) regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON MANAGEMENT REPORT

Austrian company law requires us to perform audit procedures to determine whether the management report is consistent with the financial statements and whether it has been prepared in accordance with the applicable statutory requirements.

As regards the non-financial statement included in the management report, our responsibility is to verify that it has been prepared, to read it, and to consider whether this additional information is materially inconsistent with the financial statements or our findings obtained during the audit, or otherwise appears to be materially misstated.

The legal representatives are responsible for the preparation of the management report in accordance with Austrian company law and the special legal provisions in Article 18 FMABG.

We conducted our audit in accordance with the standards of actuarial practice applicable to the audit of the management report.

OPINION

In our opinion, the management report has been prepared in accordance with the applicable statutory requirements and is consistent with the financial statements.

DECLARATION

Considering the findings obtained during our audit of the financial statements and the appreciation we gained of the Financial Market Authority (FMA) and its environment, we did not identify any material deficiencies in the management report.

Vienna, 7 April 2022

**BBW WIRTSCHAFTSPRÜFUNGS-
UND STEUERBERATUNGSGESELLSCHAFT MBH**

BERNHARD WINTER
Auditor

Publication or dissemination of the financial statements with our auditor's report is only permitted in the version we have audited. This auditor's report refers exclusively to the complete German version of the financial statements including the management report. With regard to other versions, the provisions contained in Article 281 para. 2 UGB are to be observed.

Balance sheet as at 31 December 2021 (amounts in €; rounding differences from previous year disregarded)

ASSETS

			Prev. year in € thousands
A. Fixed assets			
I. Intangible assets			
1. Industrial property and similar rights and licences in such rights		349 250.46	410
II. Tangible assets			
1. Buildings on third-party land	1 183 146.19		1 001
2. Other equipment, operating and office equipment	1 005 063.19		986
		2 188 209.38	1 987
		2 537 459.84	2 397
B. Current assets			
I. Services not yet invoiced to entities liable to pay costs		60 303 415.71	62 273
II. Receivables and other assets			
1. Trade receivables	1 119 113.32		743
Amounts becoming due and payable after more than one year	*0.00*		*0*
2. Other receivables and assets	846 458.94		714
Amounts becoming due and payable after more than one year	*0.00*		*0*
		1 965 572.26	1 457
III. Securities and shares			
1. Austrian government securities		12 000 000.00	12 000
IV. Cash at bank and in hand		33 497 800.01	26 917
		107 766 787.98	102 647
C. Prepaid expenses		1 449 761.74	1 404
		111 754 009.56	**106 448**

Statements of changes in fixed assets pursuant to Article 226 para. 1 UGB (amounts in €)

	Cost of Acquisition			
	As at 1 Jan. 2021	Additions	Disposals	As at 31 Dec. 2021
I. Intangible assets				
1. Industrial property and similar rights and licences in such rights	4 769 925.01	269 623.45	617 159.58	4 422 388.88
II. Tangible assets				
1. Buildings on third-party land	2 620 143.06	331 935.94	0.00	2 952 079.00
2. Other equipment, operating and office equipment	6 835 306.30	672 509.55	1 199 650.30	6 308 165.55
3. Low-value assets	0.00	32 163.37	32 163.37	0.00
	9 455 449.36	1 036 608.86	1 231 813.67	9 260 244.55
	14 225 374.37	**1 306 232.31**	**1 848 973.25**	**13 682 633.43**

NOTES PURSUANT TO ARTICLE 236 UGB (amounts in €)

A. GENERAL INFORMATION

1. The FINANCIAL MARKET AUTHORITY (FMA) is an institution under public law and was established by the Financial Market Authority Act (FMABG; *Finanzmarktaufsichtsbehördengesetz*) (Federal Law Gazette I

			EQUITY AND LIABILITIES *Prev. year in € thousands*
A. Reserves pursuant to FMABG			
1. Reserve pursuant to Article 20 FMABG	3 634 129.01		3 633
2. Reserve pursuant to Article 23a FMABG	553 597.78		157
		4 187 726.79	3 790
B. Provisions			
1. Provisions for severance pay	2 541 120.95		2 551
2. Other provisions	9 482 444.99		9 427
		12 023 565.94	11 978
C. Liabilities			
1. Advance payments received pursuant to Article 19 FMABG		69 530 382.75	62 698
Amounts becoming due and payable within one year		*69 530 382.75*	*62 698*
Amounts becoming due and payable after more than one year		*0.00*	*0*
2. Trade payables		22 377 012.31	22 728
Amounts becoming due and payable within one year		*11 717 012.31*	*12 062*
Amounts becoming due and payable after more than one year		*10 660 000.00*	*10 666*
3. Other liabilities		3 610 301.77	5 232
Taxes	*739 540.41*		*713*
Social security and similar obligations	*835 470.57*		*813*
Actual cost accounting for previous years	*1 000 626.00*		*531*
Other	*1 034 664.79*		*3 175*
Amounts becoming due and payable within one year	*3 610 301.77*		*5 232*
Amounts becoming due and payable after more than one year	*0.00*		*0*
		95 517 696.83	90 658
Amounts becoming due and payable within one year		*84 857 696.83*	*79 992*
Amounts becoming due and payable after more than one year		*10 660 000.00*	*10 666*
D. Deferred income		25 020.00	22
		111 754 009.56	**106 448**

Table 31: *Balance sheet 2021*

Cumulative depreciation, amortisation and write-downs				Carrying amounts	
As at 1 Jan. 2021	Additions	Disposals	As at 31 Dec. 2021	As at 1 Jan. 2021	As at 31 Dec. 2021
4 359 664.17	329 673.83	616 199.58	4 073 138.42	410 260.84	349 250.46
1 619 302.64	149 630.17	0.00	1 768 932.81	1 000 840.42	1 183 146.19
5 849 054.43	653 569.52	1 199 521.59	5 303 102.36	986 251.87	1 005 063.19
0.00	32 163.37	32 163.37	0.00	0.00	0.00
7 468 357.07	835 363.06	1 231 684.96	7 072 035.17	1 987 092.29	2 188 209.38
11 828 021.24	**1 165 036.89**	**1 847 884.54**	**11 145 173.59**	**2 397 353.13**	**2 537 459.84**

Table 32: *Fixed assets 2021*

No. 97/2001) on 22 October 2001. The official competence of the FMA commenced on 1 April 2002. The FMA is in charge of banking supervision, insurance supervision, securities supervision and pension supervision.

As at 31 March 2002, the Austrian Securities Authority was incorporated into the FMA by way of universal legal succession pursuant to Article 1 of the Securities Supervision Act (WAG; *Wertpapieraufsichtsgesetz*).

Income statement for the financial year from 1 January to 31 December 2020 (amounts in €; rounding differences from previous year disregarded)

				Prev. year in € thousands
1.	Federal Government contribution pursuant to FMABG		4 500 000.00	4 167
2.	Share of entities liable to pay costs			
	a) Share of entities liable to pay costs (not yet chargeable)	60 303 415.71		62 273
	b) Share of entities liable to pay costs (charged)	500 000.00		500
			60 803 415.71	62 773
3.	Income from fees and the allocation of costs		8 302 047.16	4 846
4.	Other operating income			
	a) Income from the disposal of fixed assets	9 015.00		0
	b) Income from the reversal of provisions	543 652.98		640
	c) Other	269 171.98		256
			821 839.96	896
5.	Personnel expenses			
	a) Salaries	−37 986 923.60		−37 439
	b) Social security costs	−10 158 825.49		−9 788
	Expenses for old-age provision	*−1 683 328.40*		*−1 610*
	aa) Expenses for severance pay and contributions to corporate staff provision funds	*−647 288.68*		*−681*
	bb) Cost of statutory social security, payroll-related taxes and mandatory contributions	*−7 590 940.55*		*−7 322*
	cc) Other social security costs	*−237 267.86*		*−175*
			−48 145 749.09	−47 227
6.	Amortisation and write-downs of intangible assets, depreciation and write-downs of tangible assets		−1 165 036.89	−1 199
7.	Other operating expenses			
	a) Costs pursuant to Article 79 para. 4b BWG – Banking Supervision	−8 000 000.00		−8 000
	b) Costs pursuant to Article 182 para. 7 VAG – Insurance Supervision	−180 000.00		−170
	c) Costs pursuant to Article 3 para. 5 BaSAG – Bank Recovery/Resolution	−2 000 000.00		−2 000
	d) Costs pursuant to Article 6 para. 6 ESAEG – Deposit Guarantees	−480 000.00		−496
	e) Other	−13 919 304.90		−13 210
			−24 579 304.90	−23 876
8.	**Subtotal of items 1 to 7**		**537 211.95**	**379**
9.	Other interest income		304.16	1
10.	Interest expenses		−139 789.03	−57
11.	**Subtotal of items 9 to 10**		**−139 484.87**	**−56**
12.	Release of reserves pursuant to FMABG		358 742.73	0
13.	Appropriation to reserves pursuant to FMABG		−756 469.81	−323
14.	**Profit or loss for the year**		**0.00**	**0**

Table 33: *Income statement 2021*

2. The financial statements have been prepared in conformity with the generally accepted accounting principles and the general principle of giving a true and fair view of the net assets, financial position and results of operations. In accordance with Article 18 FMABG, the provisions of the Corporate Code (UGB; *Unternehmensgesetzbuch*) were applied accordingly to the present financial statements.
3. The accounting policies applied to the individual items of the financial statements were based on the general provisions of Articles 193 to 211 UGB, taking the special provisions for large corporations into account.
4. The financial statements were prepared in accordance with the going concern principle.
5. Where a value was determined on the basis of an estimate, those estimates were based on prudent assessment. Where empirical values were available, the assessment was based on those values.

B. INFORMATION ON THE BALANCE SHEET INCLUDING THE DESCRIPTION OF THE ACCOUNTING POLICIES

1. Fixed assets

The changes in fixed assets and the breakdown of the annual depreciation according to individual items can be seen in Table 32 (Changes in fixed assets).

Depreciation is calculated on a straight-line basis.

The useful life of the individual asset groups is as follows:

1. Industrial property and similar rights and licences in such rights: 3 years
2. Buildings on third-party land: 8 to 16 years
3. Other equipment, operating and office equipment: 3 to 10 years

There was no need for depreciation pursuant to Article 204 para. 2 UGB as there was no impairment loss.

The low-value assets pursuant to Article 13 of the Income Tax Law (EStG; *Einkommensteuergesetz*) with individual acquisition values of less than € 800.00 each (previous year: € 800.00) were reported as disposals in their year of acquisition.

The Improvements to leased buildings include a landlord subsidy for the renovation of the conference room in the amount of € 22 198.98 (previous year: € 0k) and for the renewal of the ventilation system in the staff canteen in the amount of € 63 520.00 (previous year: € 0k) in 2021.

Additions to the assets were valued at cost; disposals of assets were recognised at carrying amounts.

Development of carrying amounts:

	Carrying amount as at 1 Jan. 2021	Additions	Carrying amount of asset disposals	Depreciation	Carrying amount as at 31 Dec. 2021
Intangible assets					
Industrial property and similar rights and licences in such rights	410 260.84	269 623.45	960.00	329 673.83	349 250.46
Other IT software	*406 990.44*	*253 802.66*	*960.00*	*322 942.64*	*336 890.46*
Electronic filing system	*2 636.80*	*15 820.79*	*0.00*	*6 097.59*	*12 360.00*
Website	*633.60*	*0.00*	*0.00*	*633.60*	*0.00*
Tangible assets					
Buildings on third-party land	1 000 840.42	331 935.94	0.00	149 630.17	1 183 146.19
Improvements to leased buildings (Otto-Wagner-Platz)	*968 692.70*	*325 590.22*	*0.00*	*139 893.77*	*1 154 389.15*
Dedicated lines	*32 147.72*	*6 345.72*	*0.00*	*9 736.40*	*28 757.04*
Other equipment, operating and office equipment	986 251.87	672 509.55	128.71	653 569.52	1 005 063.19
IT equipment (hardware)	*776 054.60*	*534 676.49*	*128.71*	*566 026.04*	*744 576.34*
Office furniture	*112 728.50*	*13 252.80*	*0.00*	*34 371.82*	*91 609.48*
Other office equipment	*71 104.29*	*27 308.25*	*0.00*	*43 562.95*	*54 849.59*
Office machines, devices and systems	*26 364.48*	*97 272.01*	*0.00*	*9 608.71*	*114 027.78*
Low-value assets	0.00	32 163.37	0.00	32 163.37	0.00
Total	**2 397 353.13**	**1 306 232.31**	**1 088.71**	**1 165 036.89**	**2 537 459.84**

2. Intangible assets

	31 Dec. 2021	31 Dec. 2020
I. Services not yet invoiced to entities liable to pay costs	60 303 415.71	62 272 951.04
II. Receivables and other assets	1 965 572.26	1 457 000.57
III. Securities and shares	12 000 000.00	12 000 000.00
IV. Cash at bank and in hand	33 497 800.01	26 917 071.64
Total	107 766 787.98	102 647 023.25

I. Services not yet invoiced to entities liable to pay costs

This item comprises the expenses still to be borne by the entities liable to pay costs pursuant to Article 19 FMABG in the amount of € 60 303 415.71 (previous year: € 62 273k); specifically overall costs minus the federal grant pursuant to Article 19 para. 4 FMABG, authorisation fees pursuant to Article 19 para. 10 FMABG, as well as other income. The statement of costs is prepared according to the procedures stipulated under Article 19 FMABG.

In accordance with Article 19 FMABG, the FMA apportions cost shares as directly as possible to the accounting groups of banking supervision, insurance supervision, securities supervision and pension supervision. Costs that cannot be directly allocated are apportioned to the accounting groups based on the ratio of directly allocable costs (Article 19 para. 2 FMABG).

The 2021 cost shares for the four accounting groups are as follows:

	2021 in €	2020 in € thousands
1. Banking Supervision costs	33 782 286.61	36 212
2. Insurance Supervision costs	11 460 615.15	11 055
3. Securities Supervision costs	14 603 578.47	14 275
4. Pension Supervision costs	956 935.48	1 231
Total	60 803 415.71	62 773

(Rounding differences are ignored.)
After deduction of the costs of € 500 000.00 (previous year: € 500k), for the sub-accounting group Market Infrastructure in the Securities Supervision accounting group that were already charged in 2021, an amount of € 60 303 415.71 (previous year: € 62 273k) remains to be charged.
The allocation of costs to the individual entities liable to pay costs, and the offsetting against the advance payments made by the entities liable to pay costs in the 2021 financial year, are based on the reference data as listed in the relevant supervisory laws and reported to the FMA; this data is only available once the financial statements have been prepared.

II. Receivables and other assets

This item comprises the following sub-items:

	31 Dec. 2021	31 Dec. 2020
1. Trade receivables	1 119 113.32	743 094.30
2. Other receivables and assets	846 458.94	713 906.27
Total	1 965 572.26	1 457 000.57

1. Trade receivables

The receivables amounting to € 1 119 113.32 (previous year: € 743k) are carried at nominal values and show a residual maturity of less than a year. Individual valuation allowances were recognised for identifiable risks in the measurement of receivables.
Trade receivables in the amount of € 204 472.82 (previous year: € 13k) constitute receivables pursuant to Article 74 para. 5 no. 2 of the Bank Recovery and Resolution Act (BaSAG; *Bankensanierungs- und Abwicklungsgesetz*).
Receivables of € 1 072 690.59 (previous year: € 735k) are still being carried from the actual cost accounting of previous years. Itemised valuation allowances of € 79 719.09 (previous year: € 5k) as well as a general allowance of € 78 331.00 (previous year: € 0k) were recognised for receivables from actual cost accounting.
Valuation allowances developed as follows:

As at 1 Jan. 2021	€	4 539.00
Allocation	€	153 511.09
Use	€	0.00
Release	€	0.00
As at 31 Dec. 2021	€	158 050.09

2. Other receivables and assets

Other receivables totalling € 846 458.94 (previous year: € 714k) include mostly receivables from orders imposing fees, administrative penalties, penalty interest, trustee fees, as well as transitory items concerning the ELAK electronic filing system.
The itemised valuation allowance for Other receivables, administrative penalties and coercive penalties amounts to € 3 000.00 (previous year: € 7k).

III. Securities and shares

Securities and shares show investments in Austrian government securities (as at 13 January 2022) in the amount of € 12 000 000.00 (previous year: € 12 000k).

IV. Cash at bank and in hand

As at 31 December 2021 the Financial Market Authority held liquid assets in the amount of € 33 497 800.01 (previous year: € 26 917k). The year-on-year increase is primarily attributable to an increase in the advance payments for the following year as well as to the rise in advance payments prescribed by administrative decision in general (see the information under Point B.6).

3. Prepaid expenses

   The item Prepaid expenses amounting to € 1 449 761.74 (previous year: € 1 404k) comprises in particular prepaid expenses for rent, insurance expenses, royalties and maintenance fees, membership fees, as well as subscriptions.

4. Reserve pursuant to FMABG

   1. Reserve pursuant to Article 20 FMABG

      Article 20 FMABG specifies the option of establishing a reserve in the amount of 1% of the FMA's total costs based on the latest adopted financial statements as at 31 December 2020 (1% of the FMA's total costs in 2020 in the amount of € 72 682 580.27 is € 726 825.80). The maximum amount of the reserve may not, however, exceed 5% of the FMA's total costs based on the latest adopted financial statements as at 31 December 2020 (5% of the FMA's total costs in 2020 in the amount of € 72 682 580.27 is € 3 634 129.01). As at 31 December 2020 the reserve totalled € 3 633 006.00.

      In 2021, € 358 742.73 (previous year: € 0k) of the reserve was released/used to cover extraordinary supervision expenses for the benefit of the sub-accounting group pursuant to the Austrian Banking Act (BWG; *Bankwesengesetz*) in the accounting group Banking Supervision. The allocation to the reserve pursuant to Article 20 FMABG amounts to € 359 865.74 (previous year: € 166k) for 2021; the reserve pursuant to Article 20 FMABG therefore totalled € 3 634 129.01 (previous year: € 3 633k) as at 31 December 2021.

   2. Reserve pursuant to Article 23a para. 8 FMABG (regulatory sandbox)

      In accordance with Article 23a para. 8 FMABG, the Government makes a ring-fenced contribution of € 500 000.00 (previous year on a pro rata basis: € 167k), which is to be used by the FMA to cover the costs of the regulatory sandbox. Any surplus will have to be allocated to a reserve. The costs for 2021 amounted to € 103 395.93 (previous year: € 10k), which is why an amount of € 396 604.07 (previous year: € 157k) was allocated to the reserve. The total reserve amounted to € 553 597.78 (previous year: € 157k) as at 31 December 2021.

      Please refer to Point 1. Federal Government contribution pursuant to FMABG/Information on the income statement for more information on the Federal Government's contribution of € 500 000.00 (previous year: 167k).

5. Provisions

   Provisions are established taking the prudent person principle pursuant to Article 211 para. 1 UGB into account.

	31 Dec. 2021	31 Dec. 2020
I. Provisions for severance pay	2 541 120.95	2 550 968.95
II. Other provisions	9 482 444.99	9 427 313.15
Total	12 023 565.94	11 978 282.10

   I. Provisions for severance pay

      Change:

	2021 in €	2020 in € thousands
As at 1 Jan. 2021	2 550 968.95	2 420
Use	–94 399.12	–48
Allocation/Reversal	84 551.12	179
As at 31 Dec. 2021	2 541 120.95	2 551

(Rounding differences are ignored.)

The provisions for severance pay were calculated as in the previous year in accordance with actuarial principles using the entry age normal method and taking account of the current actuarial assumptions for pension insurance "AVOe 2018-P" (previous year: AVOe 2018-P). These assumptions are based on an interest rate of 1.35% (previous year: 1.60%) and a salary increase of 3.00% (previous year: 3.16%). The assumed interest rate corresponds to a 7-year average rate for a residual maturity of 15 years. The retirement age was assumed to be the pension age as set forth in the General Social Insurance Act (ASVG; *Allgemeines Sozialversicherungsgesetz*), also applying the transitional provisions of the Budget Accompanying Act 2003 (BBG 2003; *Budgetbegleitgesetz*). The raised retirement age for women as of 2024 was taken into account.

The provision for severance pay relates to employees and contractual employees of the FMA. Any allocations to or reversals of the provision are posted under Personnel expenses.

As at 31 December 2021, 47 (previous year: 50) employees were entitled to severance pay claims, with a provision having to be established for those claims. Of these employees, 16 (previous year: 18) have already transferred to the new severance pay scheme. Severance pay claims have been "frozen" for those employees as per the date of their transfer.

II. Other provisions

Other provisions were determined in accordance with the prudent person principle and include all risks identifiable as at the balance sheet date and all liabilities as yet uncertain in terms of their amount or reason, all contingent losses from pending business, as well as expenses that are essential in accordance with sound business judgement. These provisions were recognised with their respective settlement amounts.

	As at 1 Jan 2021	Use	Reversal	Allocation	As at 31 Dec. 2021
Anniversary bonuses	182 357.00	72 557.00	0.00	8 839.00	118 639.00
Provision for annual bonuses	2 235 310.11	2 235 310.11	0.00	2 321 880.03	2 321 880.03
Unused holiday entitlement	5 123 368.23	285 029.82	0.00	0.00	4 838 338.41
Overtime to be paid	25 650.77	25 650.77	0.00	45 523.65	45 523.65
Additional hours	288 758.87	5 217.60	0.00	0.00	283 541.27
Remaining other provisions	1 191 882.80	467 709.26	115 987.73	937 035.86	1 545 221.67
Provisional actual costs Banking Supervision 2019	379 985.37	0.00	379 985.37	0.00	0.00
Provisional actual costs Banking Supervision 2020	0.00	0.00	0.00	329 300.96	329 300.96
Total	9 427 313.15	3 091 474.56	495 973.10	3 642 579.50	9 482 444.99

Provision for anniversary bonuses:

The provision for anniversary bonuses was calculated as in the previous year in accordance with actuarial principles using the entry age normal method and taking account of the current actuarial assumptions for pension insurance "AVOe 2018-P" (previous year: AVOe 2018-P). These assumptions are based on an interest rate of 1.35% (previous year: 1.60%) and a salary increase of 3.00% (previous year: 3.16%). The assumed interest rate corresponds to a 7-year average rate for a residual maturity of 15 years. The retirement age was assumed to be the pension age as set forth in the ASVG also applying the transitional provisions of the BBG 2003. The raised retirement age for women as of 2024 was taken into account. For contractual employees non-wage labour costs were recognised at a rate of 3.9% (previous year: 3.9%) and social security contributions on a pro rata basis.

Provision for annual bonuses

Provisions were made for annual bonuses, based on the percentage of employees' gross monthly salary to be paid if agreed targets are reached or exceeded.

Provision for unused holiday entitlement

This provision was set aside for obligations relating to holiday entitlement that had not been used up by the reporting date.

Provision for overtime to be paid

This provision covers overtime hours that have been worked but will only be paid in 2022.

Provision for additional hours

This item is for employees' additional working time that will not be paid but transferred to the following year, subject to a maximum limit of 16 hours.

The remaining other provisions comprise the following items:

Maintenance and other IT expenses	542 181.34
Consulting costs and external services	354 781.12
Personnel expenses	174 354.92
IT costs	127 292.18
Operating expenses	92 500.00
Exemption levy for non-employment of disabled persons	77 164.00
Expenses FMA Annual Report	61 300.00
Events	60 000.00
CPD expenses	28 187.26
Other expenses	27 460.85
Total	1 545 221.67

As in the previous year, these other provisions do not include any provisions established for the long term.

Provision for actual costs of Banking Supervision in 2019:

The provision established pursuant to Article 69a BWG in one financial year must be reversed in the following financial statements of the FMA, i.e. the provision established in the 2020 financial statements for the actual costs incurred in 2019 was reversed/used in the 2021 financial statements of the FMA; by way of derogation to Article 19 para. 4 FMABG, the resulting income is only to be deducted from the costs of accounting group 1.

Provision for actual costs of Banking Supervision in 2020:

Pursuant to Article 69a BWG the difference between the calculated cost shares and the minimum amounts to be paid by the credit institutions for 2020 is to be allocated to a provision in the 2021 financial statements.

6. Liabilities

Pursuant to Article 69a BWG the difference between the calculated cost shares and the minimum amounts to be paid by the credit institutions for 2020 is to be allocated to a provision in the 2021 financial statements.

	31 Dec. 2021	31 Dec. 2020
I. Advance payments received (Article 19 FMABG)	69 530 382.75	62 698 343.50
II. Trade payables	22 377 012.31	22 727 726.29
III. Other liabilities	3 610 301.77	5 232 097.75
Total	95 517 696.83	90 658 167.54

I. Advance payments received pursuant to Article 19 FMABG

	31 Dec. 2021	31 Dec. 2020
Prepayments by entities payment notices	65 259 850.00	62 108 033.00
Advance payments from entities following year	4 466 919.50	703 608.00
Item. val. allow. for receivables advance payments	1 250.00	12 514.75
Receiv./excess payments by entities advance payments	–197 636.75	–125 812.25
Total	69 530 382.75	62 698 343.50

Amounts becoming due and payable within one year: € 69 530 382.75 (previous year: € 62 698k).

For the 2021 financial year, the entities liable to pay costs had to make advance payments in the amount of € 65 259 850.00 (previous year: € 62 108k) as prescribed by administrative decision. Itemised valuation allowances of € 1 250.00 (previous year: € 13k) were recognised for the amounts not yet paid.

The 2021 advance payments are compared with the cost share to be borne by the entities liable to pay costs within the scope of preparing the statement of costs. The resulting difference is either charged or repaid to the entities liable to pay costs.

As at 31 December 2021, € 4 466 919.50 (previous year: € 704k) had already been paid in advance for the 2022 financial year.

II. Trade payables

Trade payables comprise the following items:

	31 Dec. 2021	31 Dec. 2020
Mand. OeNB costs pursuant to Article 79 para. 4b BWG	16 000 000.00	16 000 000.00
Mand. OeNB costs pursuant to Article 3 para. 5 BaSAG	4 000 000.00	4 000 000.00
Mand. OeNB costs pursuant to Article 6 para. 6 ESAEG	975 749.13	964 917.37
Mand. OeNB costs pursuant to Article 182 para. 7 VAG	349 208.20	380 813.48
Summary account trade payables	977 302.47	970 681.31
Incoming invoices not yet received	74 752.51	411 314.13
Total	22 377 012.31	22 727 726.29

Amounts becoming due and payable within one year: € 11 717 012.31 (previous year: € 12 062k).

Amounts becoming due and payable after more than one year: € 10 660 000.00 (previous year: € 10 666k).

For 2020 (to be reimbursed by 31 March 2022 each)

Reimbursement amounts pursuant to Article 79 para. 4b BWG – € 8 000 000.00

Reimbursement amounts pursuant to Article 182 para. 7 VAG – € 169 208.20

Reimbursement amounts pursuant to Article 3 para. 5 BaSAG – € 2 000 000.00

Reimbursement amounts pursuant to Article 6 para. 6 ESAEG – € 495 749.13

For 2021 (to be reimbursed by 31 March 2023 each)

Reimbursement amounts pursuant to Article 79 para. 4b BWG – € 8 000 000.00

Reimbursement amounts pursuant to Article 182 para. 7 VAG – € 180 000.00
Reimbursement amounts pursuant to Article 3 para. 5 BaSAG – € 2 000 000.00
Reimbursement amounts pursuant to Article 6 para. 6 ESAEG – € 480 000.00
The incoming invoices not yet received are for trade payables of 2021.

III. Other liabilities

	31 Dec. 2021	31 Dec. 2020
Taxes	739 540.41	713 378.29
Social security and similar obligations	835 470.57	812 554.87
Actual cost accounting for previous years	1 000 626.00	531 444.00
Other	1 034 664.79	3 174 720.59
Total	3 610 301.77	5 232 097.75

Composition of liabilities relating to taxes:

	31 Dec. 2021	31 Dec. 2020
Offset account tax office non-wage costs	721 198.81	691 567.66
Amount payable to tax office	14 931.60	18 444.63
Municipality of Vienna	3 410.00	3 366.00
Total	739 540.41	713 378.29

The liabilities relating to social security amount to € 835 470.57 (previous year: € 813k) and are primarily comprised of contributions to the district health insurance funds.
Liabilities carried from the actual cost accounting of previous years and amounting to € 1 000 626.00 (previous year: € 531k) essentially cover balances from the allocation of costs that are due to the entities liable to pay costs. The FMA repays such balances to the entities liable to pay costs upon being requested to do so by the entities.
The remaining Other liabilities totalling € 1 034 664.79 (previous year: € 3 175k) are mainly composed of fees and self-balancing items that the FMA collects and then passes on to the competent authority.
Expenses in the amount of € 567 028.71 (previous year: € 550k) that will only become due after the balance sheet date are also included here.

7. Deferred income

	31 Dec. 2021	31 Dec. 2020
Deferred income	25 020.00	21 815.00
	25 020.00	21 815.00

The item of Deferred income shows the prepayments on authorisation fees for investment funds pursuant to the Investment Fund Act 2011 (InvFG 2011; *Investmentfondsgesetz*) and the Alternative Investment Fund Managers Act (AIFMG; *Alternatives Investmentfonds Manager-Gesetz*).

8. Contingent liabilities
As at 31 December 2021 there were no contingent liabilities or guarantees.

9. The liabilities from the use of tangible assets not shown in the balance sheet amount to approximately € 4 224 920.00 (previous year: € 4 081k) for the following year and a total of approximately € 20 931 600,00 (previous year: € 20 407k) for the following five years.

C. INFORMATION ON THE INCOME STATEMENT

1. Federal Government contribution pursuant to FMABG
The Federal Government contribution pursuant to FMABG for the 2021 financial year amounts to € 4 500 000.00 (previous year: € 4 167k) and is composed of the Federal Government's contribution pursuant to Article 19 para. 4 FMABG of € 4 000 000.00 (previous year: € 4 000k), which is used to cover part of the costs incurred during the 2021 financial year, and the Federal Government's contribution pursuant to Article 23a para. 8 FMABG of € 500 000.00 (previous year: € 167k), which is used to cover the costs of the regulatory sandbox.

2. Share of entities liable to pay costs
The share of entities liable to pay costs for 2021 amounting to € 60 803 415.71 (previous year: € 62 773k)

is made up of the not yet chargeable share amounting to € 60 303 415.71 (previous year: € 62 273k), which will be settled with them at the 2022 year-end, as well as the share already charged in 2021 for the sub-accounting group Market infrastructure for 2021 amounting to € 500 000.00 (previous year: € 500k). Please refer to Point B.2. I. Services not yet invoiced to entities liable to pay costs for further information.

3. Income from fees and the allocation of costs

Income from fees and the allocation of costs amounted to € 8 302 047.16 (previous year: € 4 846k) and included the following income:

	31 Dec. 2021	31 Dec. 2020
Income from fees pursuant to InvFG 2011 and AIFMG	3 790 141.65	3 490 448.67
Income FMA from authorisation fees	2 810 770.00	713 870.00
Income FMA from prospectus audits	414 750.00	416 400.00
Cost contribution VASPs	772 947.00	7 500.00
Other	513 438.51	217 639.30
Total	8 302 047.16	4 845 857.97

Other fees and allocations of costs essentially comprise income pursuant to Article 74 para. 5 no. 2 BaSAG, as well as contributions to criminal proceedings and from fee income.

4. Other operating income

Other operating income made up € 821 839.96 (previous year: € 896k) and comprised the following income:

	31 Dec. 2021	31 Dec. 2020
a) Income from the disposal of fixed assets	9 015.00	0.00
b) Income from the reversal of provisions	543 652.98	640 448.78
c) Other	269 171.98	255 555.62
Total	821 839.96	896 004.40

a) Income from the disposal of fixed assets

The item Income from the disposal of fixed assets amounts to € 9 015.00 (previous year: € 0k) and covers proceeds from the sale of the FMA's tangible assets.

b) Income from the reversal of provisions

	31 Dec. 2021	31 Dec. 2020
Income from the reversal of provisions	543 652.98	640 448.78
	543 652.98	640 448.78

Income from the reversal of provisions concerns the provision for the actual costs of Banking Supervision in 2019, at € 379 985.37 (previous year: € 447k), with the remaining amount essentially being due to reversals of provisions for personnel, insurance and IT expenses.

c) Other income

Other income amounts to € 269 171.98 (previous year: € 256k) and includes income from transitory items concerning the ELAK electronic filing system, training costs, allowances for semi-retired employees and rental income.

5. Personnel expenses

	31 Dec. 2021	31 Dec. 2020
a) Salaries	37 986 923.60	37 438 546.71
b) Social security costs	10 158 825.49	9 788 137.80
Total	48 145 749.09	47 226 684.51

a) Salaries

The amount of € 37 986 923.60 (previous year: € 37 439k) posted under a) in the income statement mainly covers salaries including special payments and civil servants' salaries.

Expenses for severance pay and pensions, the average number of employees and the remuneration for the Executive Directors are presented in detail under Point D/Other information.

b) Social security costs

Social security costs amount to € 10 158 825.49 (previous year: € 9 788k) and essentially comprise social security contributions, employer's contribution, occupational retirement provision and contributions for staff provision.

Expenses for old-age provision amounting to € 1 683 328.40 (previous year: € 1 610k) concern expenses for occupational retirement provision for FMA employees.

aa) Expenses for severance pay and contributions to corporate staff provision funds

	31 Dec. 2021	31 Dec. 2020
Contributions to staff provision funds	513 439.64	489 177.28
Allocation to provision for severance pay	132 231.00	191 710.00
Severance pay expenses	1 618.04	158.00
Total	647 288.68	681 045.28

bb) Cost of statutory social security, payroll-related taxes and mandatory contributions

This item amounts to € 7 590 940.55 (previous year: € 7 322k) and includes the following taxes and contributions:

	31 Dec. 2021	31 Dec. 2020
Social security contributions	6 112 338.22	5 795 302.26
Employer's contribution	1 383 839.11	1 325 905.44
Exemption levy for non-employment of disabled persons	77 164.00	67 660.01
Underground tax	44 410.00	43 544.00
Contributions to civil servants' insurance institution	13 500.74	13 349.17
Allocation/Use prov. for non-wage labour costs	–40 311.52	76 692.76
Total	7 590 940.55	7 322 453.64

cc) Other social security costs

Other social security costs of € 237 267.86 (previous year: € 175k) are mainly attributable to subsidised meals in the staff canteen as well as other voluntary social security costs.

6. Amortisation and write-downs of intangible assets, depreciation and write-downs of tangible assets

The depreciation, amortisation and write-downs amount to € 1 165 036.89 (previous year: € 1 199k) and cover the following items:

	31 Dec. 2021	31 Dec. 2020
Ordinary depreciation	1 132 873.52	1 122 515.01
Low-value assets	32 163.37	76 351.72
Total	1 165 036.89	1 198 866.73

These are presented in detail under Point B.1 Fixed assets/Information on the balance sheet.

7. Other operating expenses

	31 Dec. 2021	31 Dec. 2020
Costs pursuant to Article 79 para. 4b BWG – Banking Supervision	8 000 000.00	8 000 000.00
Costs pursuant to Article 182 para. 7 VAG – Insurance Supervision	180 000.00	170 000.00
Costs pursuant to Article 3 para. 5 BaSAG – Bank Recovery/Resolution	2 000 000.00	2 000 000.00
Costs pursuant to Article 6 para. 6 ESAEG – Deposit Guarantees	480 000.00	496 000.00
Other	13 919 304.90	13 210 439.95
Total	24 579 304.90	23 876 439.95

Other operating expenses include the following costs for services rendered by the OeNB in 2021 pursuant to:

- Article 79 para. 4b BWG: € 8 000 000.00 for Banking Supervision (previous year: € 8 000k)
- Article 182 para. 7 VAG: € 180 000.00 for Insurance Supervision (previous year: € 170k)
- Article 3 para. 5 BaSAG: € 2 000 000.00 for Bank Recovery/Resolution (previous year: € 2 000k)
- Article 6 para. 6 ESAEG: € 480 000.00 for Deposit Guarantees (previous year: € 496k).

The remaining Other operating expenses amount to € 13 919 304.90 (previous year: € 13 210k) and essentially include facility and IT expenses, membership fees for international supervision organisations, travel expenses, expenses for continuing professional development and expenses related to contested payment notices.

Audit expenses

Other operating expenses include the following expenses related to the statutory audit carried out by the auditing firm BBW Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH in accordance with Article 18 para. 2 FMABG:

	€
Audit of the financial statements of the Financial Market Authority	31 200.00
Audit of the resolution financing arrangement pursuant to Article 123d para. 2 BaSAG	3 120.00
Total	34 320.00

8. Other interest and similar income

   Credit interest is shown with an amount of € 304.16 (previous year: € 1k).
9. Interest and similar expenses

   Interest expenses of € 139 789.03 (previous year: € 57k) exclusively comprise negative interest on bank balances.
10. Reserve pursuant to Article 20 FMABG

    Please refer to Point B.4 Reserve pursuant to Article 20 FMABG/Information on the balance sheet for details about the use/release of the reserve amounting to € 358 742.73 (previous year: € 0k) as well as about the allocation to the reserve amounting to € 359 865.74 (previous year: € 166k).
11. Reserve pursuant to Article 23a para. 8 FMABG

    Please refer to Point B.4 2. Reserve pursuant to Article 23a para. 8 FMABG/Information on the balance sheet for details about the allocation to the reserve in the amount of € 396 604.07 (previous year: € 157k), which is composed of the Federal Government's contribution less the expenses incurred for running the regulatory sandbox in the financial year of 2021.

D. OTHER INFORMATION

1. Significant events after the balance sheet date

   No significant events took place after the balance sheet date. Any necessary reporting (quarterly reports, annual report) was carried out in good time.
2. Average number of staff pursuant to Article 239 UGB

	2021	2020
Civil servants	11	13
Employees (incl. contractual employees)	460	450
Staff total	471	463

3. Management of the FMA pursuant to Article 6 FMABG

   Eduard Müller was appointed by the Federal President on 6 July 2020 to serve as a member of the FMA's Executive Board for a term of office from 6 July 2020 to 5 July 2025.

   Helmut Ettl was reappointed by the Federal President on 14 February 2018 to serve as a member of the FMA's Executive Board from 14 February 2018 to 13 February 2023.
4. Expenses for severance pay and pensions

   The expenses for severance pay and pensions, broken down by members of the Executive Board including executive employees and by other employees, are as follows for the respective financial years:

	2021 in €	2020 in € thousands
Executive Directors and executive employees	130 131.98	132
Other employees	2 200 485.10	2 158
Total	2 330 617.08	2 291

(Rounding differences are ignored.)

5. Remuneration of the members of the Executive and Supervisory Boards

   The remuneration of the two Executive Directors of the FMA consists solely of fixed components (no variable components) and amounted to € 286 868.40 gross in 2021 per director and year.

   The costs of any contractual old-age pension provision for the Executive Directors amounted to € 23 523.22 per individual in 2021.

   The remuneration paid to the eight voting members of the Supervisory Board totals € 19 700.00 per year.

This amount can be broken down as follows:

- Chairperson: € 3 600.00
- Vice-Chairperson: € 2 900.00
- Member: € 2 200.00

The remuneration of the members appointed by the Oesterreichische Nationalbank is not paid to the members themselves but to the OeNB, in accordance with the terms of their employment contracts. The members co-opted by the Austrian Federal Economic Chamber do not receive any remuneration. The members of the Supervisory Board did not receive any advance payments or loans.

Members of the Supervisory Board appointed by the Federal Ministry of Finance:

- Alfred LEJSEK (Chairperson), Federal Ministry of Finance
- Robert HOLZMANN (Vice-Chairperson), Governor of the Oesterreichische Nationalbank
- Gottfried HABER, Vice Governor of the Oesterreichische Nationalbank; Director of Financial Stability, Banking Supervision and Statistics at the OeNB
- Gabriela De Raaij, Head of the Off-Site Supervision Division – Significant Institutions at the OeNB
- Dietmar SCHUSTER, Federal Ministry of Finance
- Elisabeth GRUBER, Federal Ministry of Finance
- Beate SCHAFFER, Federal Ministry of Finance
- Karin TURNER-HRDLICKA, Director of the Department for the Supervision of Significant Institutions at the OeNB

The co-opted members were nominated by the Austrian Federal Economic Chamber.

- Walter KNIRSCH (co-opted member), Sworn auditor and tax consultant
- Franz RUDOERFER (co-opted member), Managing Director of the Bank and Insurance Division, Federal Economic Chamber

Vienna, 7 April 2022

HELMUT ETTL	EDUARD MÜLLER
Signed in person	*Signed in person*

AUDITOR'S REPORT
REPORT ON THE FINANCIAL STATEMENTS OF THE RESOLUTION FINANCING ARRANGEMENT 2021

AUDIT OPINION

We have audited the financial statements of the resolution financing arrangement, Financial Market Authority, Vienna, consisting of the balance sheet as at 31 December 2021 and the income statement for the financial year then ended.

In our opinion, the attached financial statements comply with the legal provisions and give a true and fair view of the net assets and the financial position as at 31 December 2021 as well as the results of operations of the resolution financing arrangement for the financial year then ended, in accordance with Austrian company law and the special legal provisions in Article 123d para. 2 BaSAG and Article 18 FMABG.

BASIS FOR AUDIT OPINION

We conducted our audit in accordance with the Austrian standards of proper auditing. These standards require us to apply the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the section "Auditor's responsibilities for the audit of the financial statements" of our auditor's report. We are independent from the Financial Market Authority acting in the capacity of resolution authority, as required in accordance with Austrian company law and professional regulations, and we have fulfilled our other professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained by 7 April 2022 is sufficient and appropriate to provide a basis for our audit opinion up to that date.

LEGAL REPRESENTATIVES' AND SUPERVISORY BOARD'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The legal representatives of the Financial Market Authority acting in the capacity of resolution authority are responsible for the preparation of the financial statements consisting of balance sheet and income statement and for ensuring that they give a true and fair view of the net assets, financial position and results of operations of the resolution financing arrangement in accordance with Austrian company law and the special legal provisions in Article 123d para. 2 BaSAG and Article 18 FMABG. The legal representatives are also responsible for any internal control procedures that they deem necessary to enable preparation of financial statements consisting of balance sheet and income statement that are free from material misstatement, whether caused by fraud or other irregularity or error.

In preparing the financial statements consisting of balance sheet and income statement, the legal representatives are responsible for assessing the resolution financing arrangement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the legal represen-

tatives either intend to liquidate the resolution financing arrangement or to cease operations, or have no realistic alternative but to do so.
The supervisory board of the Financial Market Authority is responsible for overseeing the resolution financing arrangement's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements consisting of balance sheet and income statement are free from material misstatement, whether caused by fraud or other irregularity or error, and to issue an auditor's report including our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Austrian standards of proper auditing, which require us to apply the ISA, will always detect a material misstatement when it exists. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with Austrian standards of proper auditing, which require us to apply the ISA, we exercise professional judgment and maintain professional scepticism throughout the entire audit.
Additionally:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal controls.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control procedures of the Financial Market Authority's resolution financing arrangement.
- We evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- We conclude on the appropriateness of legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the resolution financing arrangement's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements consisting of balance sheet and income statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the resolution financing arrangement to cease operating as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements consisting of balance sheet and income statement, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Supervisory Board of the Financial Market Authority regarding, among other matters, the planned scope and timing of the audit and significant

audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vienna, 7 April 2022

BBW WIRTSCHAFTSPRÜFUNGS-
UND STEUERBERATUNGSGESELLSCHAFT MBH

BERNHARD WINTER
Auditor

Publication or dissemination of the financial statements with our auditor's report is only permitted in the version we have audited. This auditor's report refers exclusively to the complete German version of the financial statements. With regard to other versions, the provisions contained in Article 281 para. 2 UGB are to be observed.

Balance sheet as at 31 December 2021 (amounts in €)			Prev. year in € thousands				Prev. year in € thousands
ASSETS				**EQUITY AND LIABILITIES**			
A. Current Assets				**A. Liabilities**			
Other receivables and assets	300.00		*0*	Other liabilities	300.00		0
Amounts becoming due and payable after more than one year	*0.00*		*0*	*Amounts becoming due and payable within one year*	*300.00*		*0*
		300.00		*Amounts becoming due and payable after more than one year*	*0.00*		*0*
						300.00	
		300.00	**0**			**300.00**	**0**

Table 34: *Balance sheet of resolution financing arrangement 2021*

Income statement for the financial year from 1 January to 31 December 2021 (amounts in €)		Prev. year in € thousands
1. Other operating income	161 669.98	127
2. Other operating expenses	–4 285.10	–4
3. Subtotal of items 1 to 2	**157 384.88**	**123**
4. Interest and similar expenses	–157 384.88	–123
3. Subtotal of item 4	**–157 384.88**	**–123**
Net income for the year	**0.00**	**0**

Table 35: *Income statement of resolution financing arrangement 2021*

Vienna, 7 April 2022

HELMUT ETTL
Signed in person

EDUARD MÜLLER
Signed in person