AUSTRIAN FMA · FINANCIAL MARKET AUTHORITY

2023

ANNUAL REPORT
OF THE FINANCIAL
MARKET AUTHORITY

Key figures of the Austrian financial sector 2019–2023

	2019	2020	2021	2022	2023 (prov.)[1]
BANKING SECTOR[2]					
Capital base:					
Common Equity Tier 1 (in € billions)	75.8	77.5	82.5	87.3	92.5
Tier 1 capital (in € billions)	79.3	82.9	88.0	92.8	98.2
Common Equity Tier 1 capital ratio (CET 1. in %)	15.6	16.1	16.0	16.3	17.1
Tier 1 capital ratio (in %)	16.3	17.2	17.1	17.3	18.1
Solvency ratio (in %)	18.7	19.5	19.3	19.2	20.1
Leverage ratio (in %)	7.5	7.3	7.7	7.8	8.2
Liquidity coverage ratio (LCR. in %)	146.7	180.6	175.9	163.1	162.3
Development of assets and liabilities (non-consolidated, in € millions):					
Total assets	839 852	934 496	983 930	1 001 474	995 924
Loans and credit	638 287	665 169	703 712	718 760	690 965
Debt securities and other fixed-income securities	45 733	45 798	42 854	52 406	121 147
Shares and other variable-yield securities	10 540	10 094	9 976	9 238	8 190
Other asset items	145 292	213 434	227 388	137 254	23 979
Liabilities to credit institutions	155 739	210 971	231 165	209 916	149 923
Liabilities to non-banks	430 436	463 095	490 050	497 166	505 960
Other liability items	120 761	124 089	127 131	134 456	23 040
Sustainability of business activity (non-consolidated):					
Foreign currency loans (as % of loans to households)	8.3	6.8	5.5	4.7	4.2
Non-performing and irrecoverable loans (as % of total loans)[3]	1.7	1.5	1.4	1.3	1.9
Earnings situation (non-consolidated, in € millions):					
Net interest income	8 280	8 330	8 565	10 426	15 793
Operating income	18 801	18 259	19 926	22 989	25 739
Operating expenses	13 652	12 819	13 323	13 429	11 321
Operating result	5 150	5 439	6 603	9 560	14 418
Cost-income ratio (in %)	72.61	70.21	66.86	58.42	43.98
Market shares of banks (as % of total assets):					
Joint stock banks	26.3	26.7	26.7	25.0	24.7
Savings banks	20.3	20.8	21.6	22.6	22.6
Mortgage banks	6.4	6.4	5.5	5.2	5.3
Raiffeisen cooperatives	34.8	34.5	35.2	35.7	35.4
Volksbank cooperatives	3.9	3.7	3.7	3.4	3.5
Building societies	2.6	2.3	2.1	2.3	2.3
Special-purpose banks	5.7	6.1	5.2	4.5	4.7

[1] Data break compared with earlier periods due to the conversion of unconsolidated reports in the savings bank sector to IFRS.
[2] Excluding branches from EEA countries in Austria (Article 9 BWG), credit guarantee banks, corporate provision funds, and exchange offices/remittance services.
[3] Including cash and sight deposits.

Key figures of the Austrian financial sector 2019–2023

	2019	2020	2021	2022	2023 (prov)
INSURANCE SECTOR					
Premiums written in Austria (direct gross amount, in € millions)	18 789	19 109	19 764	20 816	21 948
– Life insurance	*5 424*	*5 360*	*5 390*	*5 338*	*5 079*
– Health insurance	*2 340*	*2 433*	*2 541*	*2 628*	*2 861*
– Non-life and accident insurance	*11 026*	*11 316*	*11 833*	*12 850*	*14 008*
Technical account balance	618	554	766	584	547
Financial result	3 118	1 771	3 082	2 180	3 055
Result from ordinary activities	1 693	744	1 942	967	1 753
PENSIONSKASSEN					
Assets under management (in € millions)	24 295	24 969	26 969	24 351	26 380
Investment performance (in %)	11.63	2.49	7.63	–9.68	6.41
CORPORATE PROVISION FUNDS					
Assets under management (in € millions)	13 304	14 489	16 524	16 561	18 846
Performance (in %)	5.74	1.41	4.05	–7.66	4.62
INVESTMENT FUNDS					
Assets under management (in € millions)	184 894	191 894	218 816	187 769	202 131
– Money market funds	–	–	–	–	–
– Short-term bond funds	*5 990*	*5 777*	*6 069*	*5 010*	*4 294*
– Bond funds	*62 072*	*62 282*	*62 440*	*52 705*	*58 762*
– Equity funds	*32 954*	*33 721*	*44 086*	*36 505*	*40 817*
– Mixed funds	*83 548*	*89 865*	*105 881*	*93 202*	*97 980*
– Hedge funds of funds	*137*	*82*	*134*	*151*	*104*
– Derivative funds	*195*	*167*	*207*	*196*	*173*
Annual net growth/net outflows	3 587	5 973	14 219	–582	620
Real estate funds	9 185	9 634	10 743	11 006	9 335
Alternative investment funds by AIFMs licensed or registered pursuant to the AIFMG only	923	974	1 100	1 471	1 698
CAPITAL MARKET					
ATX at year-end	3 187	2 780	3 861	3 126	3 435
ATX total return performance (in %)	16.1	–12.8	43.6	–15.95	15.44
Market capitalisation (in € millions)	117 085	106 607	142 177	114 873	125 561
Market capitalisation equity segment (as % of GDP)	29.5	28.1	35.3	25.7	26.3
Sales equity segment (in € millions, double counting)	61 960	68 783	73 320	71 973	54 452
Sales bond segment (in € millions)	659	665	522	390	444
Sales structured products segment (in € millions)	733	863	808	923	782
Average government bond yields weighted by outstanding amounts (in %, year-end)	–0.17	–0.46	–0.20[4]	2.50[4]	2.69[4]
Number of issuers (regulated market)	115	112	111	107	110

[4] As at 31 December 2023.

Key figures FMA 2019–2023

	2019	2020	2021	2022	2023
INCOME (in € thousands):					
Federal Government contribution	4 000	4 167	4 500	5 100	5 100
Income from entities liable to pay costs	62 395	62 773	60 803	65 768	76 209
Income from fees, other income	5 892	5 729	9 278	7 467	7 922
Total	**72 287**	**72 669**	**74 582**	**78 335**	**89 231**
EXPENSES (in € thousands):					
Personnel expenses	45 469	47 214	48 112	51 088	58 545
Material expenses	24 910	23 876	24 409	25 493	28 442
Depreciation and amortisation, other expenses	1 908	1 578	2 061	1 754	2 244
Total	**72 287**	**72 669**	**74 582**	**78 335**	**89 231**
EMPLOYEES					
Employees at year-end in FTEs	381.01	384.89	389.99	407.59	424.23

Supervised companies 2019–2023

	2019	2020	2021	2022	2023
CREDIT INSTITUTIONS					
Joint stock banks	41	37	35	35	35
Special-purpose banks[5]	59	58	57	55	55
Savings banks	49	49	49	49	49
Raiffeisen cooperatives	380	354	338	315	296
Volksbank cooperatives	9	9	9	9	9
Mortgage banks	8	8	6	6	6
Building societies	4	4	4	4	4
EU branches	22	24	23	21	19
Total	**572**	**543**	**521**	**494**	**473**
Payment institutions	6	6	7	6	6
INSURANCE UNDERTAKINGS					
Mutual associations (excluding small mutuals)	6	6	6	6	6
Joint stock companies	29	28	27	27	26
Small mutual associations	47	45	44	44	41
Total	**82**	**79**	**78**[6]	**78**[6]	**74**[6]
EEA insurers in Austria (operating through branches)	29	28	28	27	25
Mutual associations dealing in asset management/private foundations	6	6	6	6	6
Business areas:					
Life	22	22	22	22	22
Non-life and accident	29	30	28	28	27
Health	9	9	10	10	11
Reinsurance only	1	1	1	1	1
PENSIONSKASSEN	8	8	8	8	8
CORPORATE PROVISION FUNDS	8	8	8	8	8
ASSET MANAGERS					
Investment fund management companies pursuant to InvFG	14	14	14	14	14
Licensed AIFMs	23	23	22	22	22
– Real estate investment fund management companies purs. to ImmoInvFG	*5*	*5*	*5*	*5*	*5*
Registered AIFMs	28	31	34	38	38
– EuVECA managers	*9*	*10*	*12*	*14*	*15*
INVESTMENT SERVICE PROVIDERS					
Investment firms	65	64	64	65	62
Investment service providers	43	48	47	45	45
Total	**108**	**112**	**111**	**110**	**107**

[5] Including special-purpose banks, investment fund management companies, corporate provision funds, and exchange offices/remittance services.
[6] Including Austrian branch of Helvetia Schweizerische Versicherungsgesellschaft AG.

FINANCIAL MARKET AUTHORITY
ANNUAL REPORT 2023

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.

PUBLISHER INFORMATION
Published by: Austrian Financial Market Authority (FMA)
A-1090 Vienna, Otto-Wagner-Platz 5
Phone: +43-1-249 59-0, Fax: +43-1-249 59-5499
www.fma.gv.at
Sources (unless otherwise stipulated): FMA
Errors and omissions excepted.
Printed according to the Guideline “Printed products” of the Austrian Ecolabel,
Print Alliance HAV Produktions GmbH, Ecolabel No. 715

CORRECTION
Figure 21 on page 37 contained incorrectly labelled data in an earlier version of the annual report. The chart has been corrected.

CONTENTS

FINANCE MINISTER'S FOREWORD

LADIES AND GENTLEMEN

In the wake of the pandemic and despite the challenges posed by inflation, I am extremely positive about the past year. Austrians continue to enjoy one of the highest levels of disposable household income in Europe. An economic upturn is forecast here for this year and for the next few years. We have also received good news in terms of the international perspective, with the rating agency Fitch revising its outlook for Austria upwards.

The central banks have been facing the challenge of higher and higher prices. By continuing to raise interest rates until autumn 2023, the European Central Bank has taken decisive steps to combat the sharp rise in inflation, which started to fall again in the second half of last year.

In any case, from a financial market perspective, we can look back positively overall. There were four main developments last year:

FINANCING OF RESIDENTIAL AND COMMERCIAL REAL ESTATE

The past few months have shown just how challenging higher financing costs in the property, construction and ancillary construction sectors have turned out to be. Both commercial and private real estate financing are affected. I therefore welcome the fact that the changes to the Regulation on Real Estate Financing Measures in Credit Institutions (KIM-V) have generated more flexibility in lending. However, this approach of making property more affordable again must be pursued even more consistently.

While it is naturally understandable that the systemic and individual risk from residential property financing must continue to be closely monitored, it is important to me that the institutions involved in supervision continue to consider the wider state of the economy and regularly review the need to maintain the requirements of the KIM-V.

SUSTAINABLE FINANCIAL MARKETS

The public sector alone cannot accomplish the green transformation. We also need private capital. Sustainable capital allocation and investment decisions that drive the transition to a sustainable economy also need a legal framework that creates transparency and clarity around investment. At the end of 2023, for example, the voluntary European Green Bond Standard was adopted, which both private and public issuers can use as a gold standard from the end of 2024, provided that they invest the proceeds from their bonds in an environmentally sustainable manner. In Austria, it is the FMA that guarantees compliance with the disclosure obligations stipulated in the EuGB Regulation before and after the issue of such bonds.

DIGITALISATION OF THE FINANCIAL MARKETS

Digitalisation now affects almost every single process in the financial industry. It is playing a significant role in increasing efficiency and productivity, but also brings risks for both individual companies and the stability of the sector as a whole. Cyber security is becoming ever more important.

The Digital Operational Resilience Act (DORA) will apply as of 17 January 2025. It is aimed at banks, insurance undertakings and crypto service providers. The goal is to standardise and strengthen financial market regulations with regard to cyber security, while also taking into account companies' individual risk profiles.

Austria is also striving to become a pioneer in the area of financial innovation. The accompanying legislation to implement the European Markets in Crypto-Assets Regulation (MiCAR) has already been introduced. It promotes the use of crypto assets, creates legal certainty and ensures investor protection.

FOCUS ON FINANCIAL EDUCATION

Finally, I would like to highlight the importance of the role of financial education as we look to the future. Sound financial education is a crucial factor in creating financially resilient citizens who are able to plan their financial future. We have already achieved a great deal as part of the National Financial Literacy Strategy, which encompasses more than 140 measures to support the population in making well-considered financial decisions. The FMA makes an important contribution in this regard, whether by providing information about scams and fraud or by promoting the financial independence of women in particular.

It is very important to me that we use financial education to eliminate public fear around the capital market. Through joint efforts and ongoing adjustments, we can strengthen the resilience and sustainability of our financial system and make a positive contribution to society.

I know that I have reliable partners in the dedicated employees of the FMA and I would like to take this opportunity to express my huge thanks to them all for their professionalism.

MAGNUS BRUNNER

EXECUTIVE DIRECTORS' FOREWORD

2023 was a difficult year with conflicting developments. Financial, real economic and geopolitical developments presented all financial market participants with major challenges but, at the same time, the markets remained stable despite the difficult environment and many financial service providers were able to post record profits and good returns.

The financial markets started the year on a highly nervous note, dominated by international banking crises – from the problems surrounding Silicon Valley Bank and First Republic in the USA to the emergency takeover of Credit Suisse by UBS orchestrated by the Swiss government, Swiss Financial Market Supervisory Authority (FINMA) and Swiss National Bank. The normalised interest rate level poses major challenges for some market participants, notably the real estate and construction sectors, which had become accustomed to low and even negative interest rates for many years. Stubborn inflation – driven by energy, commodity and housing costs despite the tightening of monetary policy – did the rest, further reducing the already stretched disposable income of many households and massively dampening their willingness to consume and invest. Meanwhile, geopolitical tensions have continued to rise and have further unsettled the already fragile markets, with such factors as the changing course of Russia's war of aggression against Ukraine to threatening behaviour by China and North Korea and the terrorist attack by Hamas on Israel, which triggered a military conflict in the Middle East overnight. Contrary to all of the economic experts' forecasts, the long-awaited and hoped-for economic upturn is still to materialise.

In this difficult environment, many Austrian banks generated record profits in 2023, and their CET1 capital ratios (CET-1 of around 16.6% and median liquidity coverage ratio of 158%) are well in line with the European average. The banks are now benefiting from their considerable cost management efforts during the low-interest phase and have also been able to pass on the higher interest rates to consumers asymmetrically for some time now. Austria‘s insurance undertakings recorded good premium growth, up +5.43% or € 1.13 billion to almost € 22 billion, and have solid levels of solvency. Nine out of ten insurers have an SCR ratio of over 200%, meaning they have more than twice the capital reserves officially required. *Pensionskassen* and corporate provision funds are also well capitalised and liquid, and their performance has improved significantly as interest rates have eased, recovering from the capital market turbulence caused by external shocks. The capital market has performed well too. The most important indices on the Vienna Stock Exchange closed 2023 in positive territory. Investment funds were also able to make up some of the ground lost during the COVID pandemic and as a result of Russia's invasion of Ukraine. With assets under management totalling € 213 billion, they achieved their second-best result in history last year.

In other words, 2023 was a year full of ups and downs, but a year in which the Austrian financial market proved to be resilient and good in a crisis.

Accordingly, the International Monetary Fund (IMF) gave the Austrian financial market a very good report card in its current Article IV consultation concluded in March 2024. The IMF described the Austrian financial system as stable, liquid and profitable, emphasising the solid capital resources and high liquidity coverage of its banks, insurance companies and pension funds. It did however also point out that the results for 2023 must be used to prepare for a range of risks, a statement and a recommendation that we can only fully endorse.

We would therefore like to summarise our previous comments in two clear messages:

- Austria's financial system is currently stable, liquid and profitable. We have fulfilled our statutory mandate, our core task, of maintaining and strengthening financial market stability.
- But, and this is the more important part of what we have to say: there is no room for complacency when it comes to consistent risk monitoring and risk management. After all, there are numerous challenges and uncertainties – from the volatile economic situation and geopolitical risks to risks in individual segments of the financial market – which we will continue to address in a targeted manner.

As a supervisory authority, the FMA must act with foresight and anticipation. We therefore carry out a medium-term risk analysis every year, on the basis of which we then derive our supervisory and inspection priorities. For 2024, these are:

- Resilience and stability: To continue to strengthen the resilience and crisis response of Austrian financial service providers and of the financial market.
- Digital transformation: To exploit the opportunities of digitalisation while also consistently addressing the risks.
- New business models: To provide regulatory and supervisory support for innovative business models as early as possible.
- Collective consumer protection: To strengthen consumer protection in a rapidly changing environment.
- Sustainability: To provide regulatory and supervisory support and assistance to the financial market and all its participants during the transition to a sustainable economic model.
- A clean financial centre: To secure the clean character and reputation of the Austrian financial centre at all levels.

We would like to focus here on just three of these supervisory and inspection priorities in a few words: the digital transformation, the active participation of the financial sector in transitioning the economy and society towards more sustainability, and guaranteeing a clean financial centre for Austria.

As a regulator and supervisor, we are already fully involved in the process of bringing the EU's Digital Finance package to life. The aim of the DLT pilot regime is to make it easier for investment firms, market operators and central securities depositories to start trading tokenised financial instruments on regulated markets based on blockchain technology. DORA, the Digital Operational Resilience Act, is intended to strengthen the resilience of the European financial market to the threat of cyber attacks and thus also help create a high level of protection for investors and consumers in the Union. And MiCAR, the Markets in Crypto-Assets Regulation, extends regulation and supervision from the analogue world to the realm of digital assets.

Like digitalisation, the transformation to a sustainable economic model is a game changer for the financial markets and all of the participants in them. It demands a new mindset and calls into question the usual regulatory and assessment criteria. A completely new data and reporting basis is needed to assess sustainability risks. In fact, we need new definitions, new figures and new indicators, across every area of the financial market. Starting with the reporting system for companies in the real economy, through the aggregation of figures for financial risk assessment, to transparent, fair and easily understandable presentation for consumers. We have only just started, in all of these areas. This is demonstrated by every current survey, piece of analysis and stress test on sustainability risks. Our task now is to underpin the principle of sustainability with valid figures, starting with individual production operations, through the assessment and measurement of environmental factors, to individual financial risk assessment and its labelling for institutional and retail investors alike.

In the fight for clean financial markets and in the fight against fraudsters, the principle of success is a simple one: follow the money trail! This is why the fight against money laundering is a top priority. The FMA is spearheading this fight, checking that every single one of its supervised entities fulfils its due diligence obligations to prevent money laundering. Yet money laundering is an international, cross-border business, and national supervisory authorities have so far literally reached their limits. The major money laundering package that the European Union is currently implementing marks a huge step forward. The creation of the European Anti-Money Laundering Authority (AMLA), which is based on the network of national supervisory authorities and will coordinate work across Europe, will take the fight against money laundering to a new level, with a huge boost to efficiency and effectiveness. In many of these areas, we are breaking new ground as regulators and supervisors. We are developing solutions for the future that will require new skills and ways of working from all of us.

FIT FOR FUTURE – FMA 2025

However, we not only ask our stakeholders to look ahead, to pinpoint the challenges and to address the risks. We practise what we preach. The “Fit for Future – FMA 2025” programme launched in 2022 is making rapid progress. With the help of an external consultant, it is analysing the organisational structure, processes and corporate culture of the FMA to ensure that we are future-proof. The goal is to create an environment and a culture in the organisation that enable us to actively shape the future of the financial market, dealing with current challenges such as climate change and digitalisation, but also future challenges that we are perhaps not even aware of today.

GRATITUDE AND APPRECIATION

It is also very important to us that we express our thanks and appreciation to all of our employees for their professional and personal commitment. Without their tireless and unreserved dedication, and their creative and innovative thinking, it would not have been possible to establish the FMA as the independent and integrated supervisory authority for practically the entire Austrian financial market. We would also like to thank our partners in the supervision of the Austrian financial market for the trust-ing and consistently high-quality working relationship that we enjoy with them. This applies both domestically, with the Federal Ministry of Finance and Oesterreichische Nationalbank, and internationally, with the Single Supervisory Mechanism (SSM) of the euro countries under the lead of the ECB, and the European Supervisory Authorities for banks, insurance undertakings, occupational pension scheme providers, and market and securities supervision.

Thank you.

EDUARD MÜLLER und HELMUT ETTL

2023 AT A GLANCE

FINANCIAL MARKET AUSTRIA

884 supervised companies **€ 1 360 billion** assets under management

454 BANKS[1]

- **€ 996 billion** total assets
- **296** Raiffeisen cooperatives, **55** special-purpose banks, **49** savings banks, **35** joint stock banks, **9** Volksbank cooperatives, **6** mortgage banks, **4** building societies
- **19** EEA branches
- **6** payment institutions
- **202** notified EEA credit institutions

8 CORPORATE PROVISION FUNDS

- **€ 18.8 billion** assets under management
- **+4.6%** investment performance 2023
- **€ 958 million** disposal options 2023

74 INSURANCE UNDERTAKINGS

(41 of which small mutuals)

- **€ 106 billion** assets under management
- **25** insurers, **1** third-country insurer
- **€ 22 billion** premiums written in Austria

61 ASSET MANAGERS

- **14** KAG, **5** Immo-KAG, **4** licensed-only AIFMs, **38** registered AIFMs
- **2 074** domestic investment funds (873 UCITS, 1 197 AIFs)
- **11 229** authorised foreign investment funds (7 992 UCITS, 2 632 AIFs)

8 *PENSIONSKASSEN*

- **€ 26.4 Mrd.** assets under management
- **> 1 million** beneficiaries – every fourth employed person
- **13.6%** already drawing a *Pensionskassen* pension
- **+6.4%** investment performance 2023 (+3.2% on average over past ten years)

125 INVESTMENT SERVICE PROVIDERS

- **62** investment firms, **45** investment service providers, **3** AIFMs, **8** investment fund management companies, **4** insurers
- **16%** investment advice, **70%** portfolio management, **14%** transmission of orders

[1] Excluding EEA branches and payment institutions.

CAPITAL MARKET AUSTRIA

€ 125.6 billion market capitalisation **+9.9%** performance 2023 (ATX)

VIENNA STOCK EXCHANGE

- **25 947** traded financial instruments
- **110** issuers
- **€ 55.7 billion** trading volume (€ 54.5 billion shares, € 444 billion bonds, € 782 billion structured products)
- **57 million** transaction reports (18 million Austrian, 39 million TREM)

SUPERVISORY ACTIVITY

- **77** investigations into market abuse
- **418** ad hoc reports
- **971** directors' dealing reports
- **196** periodic disclosure reports
- **83** approved prospectuses

THE FMA IN 2023

JANUARY
- **18/1** FMA publishes results of Austrian sustainability check

FEBRUARY
- **1/2** Helmut Ettl reappointed for fourth term of office until 2028
- **13/2** FMSB recommends excluding bridge financing from KIM-V

MARCH
- **5/3** FMA issues invitation to FinTech network meeting

APRIL
- **13/4** FMA "Fit for Future" adoption of FMA IT strategy
- **19/4** First cross-border dry run of open bank bail-in
- **28/4** FMA warns of authority scams with official signature

MAY
- **9/5** FMA publishes Annual Report 2022

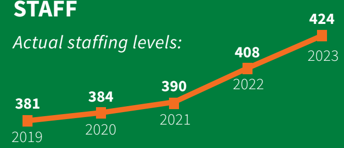
JUNE
- **5/6** FMA becomes victim of MOVEit data breach
- **30/6** FMA publishes 2022 study on state-sponsored retirement provision

THE FMA

2002: **660** pages of laws under its remit ⟶ 2023: more thann **7 300** pages of laws under its remit

STAFF

Actual staffing levels:

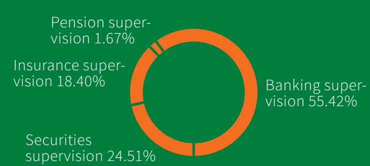


- **424** employees
- **84.7%** with degree
- **53.1%** women
- **37%** women in management positions
- **49.7%** with additional qualifications
- **40** languages

BUDGET

Federal contribution	€ 5.1 m
Fees	€ 8.0 m
Entities liable to pay costs	€ 76.2 m
Total	€ 89.3 m
Of which ⟶ OeNB	€ 10.8 m

Division among entities liable to pay costs:



THE FMA IN DIALOGUE

- **53** press releases
- **4** press conferences
- **6** newsletters
- **11** "Let's talk about money" articles
- **550** participants in Supervisory Conference (3 000 online)
- **3 100** enquiries/complaints made to the FMA
- **280** posts on X and LinkedIn
- **13 000** followers on LinkedIn
- **273** new articles on FMA website

OPERATIONAL SUPERVISION AND PROCEDURES

198 on-site measures **365** management talks **56** administrative penalties

ANALYSIS AND PROCEDURES

- **198** on-site measures
- **365** management talks
- **58** MoUs with 45 states
- **9** new licences, **9** expired/withdrawn
- **624** fit and proper tests
- **592** outsourcing procedures

FINANCIAL REPORTING ENFORCEMENT

- **24** inspections
- **8%** error rate

SANCTIONS AND LAW

- **56** administrative penalties
- **€ 2.6 million** total penalties
- **€ 367 000** maximum penalty
- **145** reports to public prosecutors

MONEY LAUNDERING PREVENTION

- **39** investigations, **48** administrative penal proceedings

FIGHTING UNAUTHORISED BUSINESS OPERATIONS

- **278** investigations
- **106** warning notices
- **24** reported offences

WHISTLEBLOWER REPORTS

- **432** whistleblower reports, 213 of which relevant to supervision
- **80** in-depth investigations
- **15** reported offences

BANK RESOLUTION

- Responsible for resolution planning at **345** banks
- **€ 2.2 billion** contributed by Austrian banks to the SRF

JULY

10/7 Helmut Ettl appointed Deputy Chair of the EBA

19/7 FMA publishes 2023 AML report

28/7 EBA and ECB publish 2023 stress test results

AUGUST

24/8 FMA recognised with 2023 OekoBusiness Vienna award

30/8 Cooperation meeting between FMA and BaFin

SEPTEMBER

27/9 FMA holds CESEE conference of AML-CFT colleges

OCTOBER

10/10 FMA publishes insurance blackout stress test results

24/10 14th FMA Supervisory Conference

NOVEMBER

8/11 FMA revokes registration of Crypto Management GmbH

24/11 FMA and OeNB create basis for TIBER-AT

DECEMBER

6/12 FMA publishes priorities for supervision and inspections in 2024

14–15/12 Four-country meeting FINMA (Switzerland), BaFin (Germany), FMA Liechtenstein, FMA Austria

28/12 KA Finanz AG concludes wind-down

PRIORITIES FOR SUPERVISION AND INSPECTIONS IN 2023

Every year the Financial Market Authority (FMA) reviews, evaluates and revises its medium-term risk analysis for the financial markets over the next five-year period and adjusts its medium-term supervisory strategy accordingly. In accordance with its unequivocal commitment to maximum transparency in its supervisory activities, it communicates both its risk analysis and the supervisory and inspection priorities derived from it for the coming year to the supervised entities and the entire market in advance (see Facts and figures, trends and strategies 2023 publication).

In 2022 the FMA derived the following supervisory and inspection priorities for 2023 from the risk analysis 2023-2027 and the adapted medium-term supervisory strategy based on it:

- **RESILIENCE AND STABILITY:** To strengthen the resilience of supervised financial service providers and preserve the stability of the Austrian financial market as a whole.
- **DIGITAL TRANSFORMATION:** To exploit the opportunities of digitalisation while also consistently addressing the associated risks.
- **NEW BUSINESS MODELS:** To provide regulatory and supervisory support for innovative business models as early as possible in order to promote the innovative strength of the Austrian financial market, to ensure fair competitive conditions and to guarantee appropriate consumer protection.
- **COLLECTIVE CONSUMER PROTECTION:** To further develop consumer protection in a rapidly changing environment focusing on digital transformation, changing consumer behaviour, demographic development and the interest rate turnaround.
- **SUSTAINABILITY:** To provide regulatory and supervisory support and assistance to the financial market and all its participants during the transition to a sustainable economic model.
- **A CLEAN FINANCIAL CENTRE:** To secure the clean character and reputation of the Austrian financial centre at all levels.

In setting these supervisory and inspection priorities for 2023, the FMA has addressed current developments and trends that harbour particular risk potential for supervised companies or markets while also presenting opportunities and potential. The proactive communication on this has made the supervised entities aware of risk areas in their business area and has also given them the opportunity to prepare specifically for the risk-oriented supervisory priorities in 2023. This has created transparency around supervisory activities and heightened risk awareness.

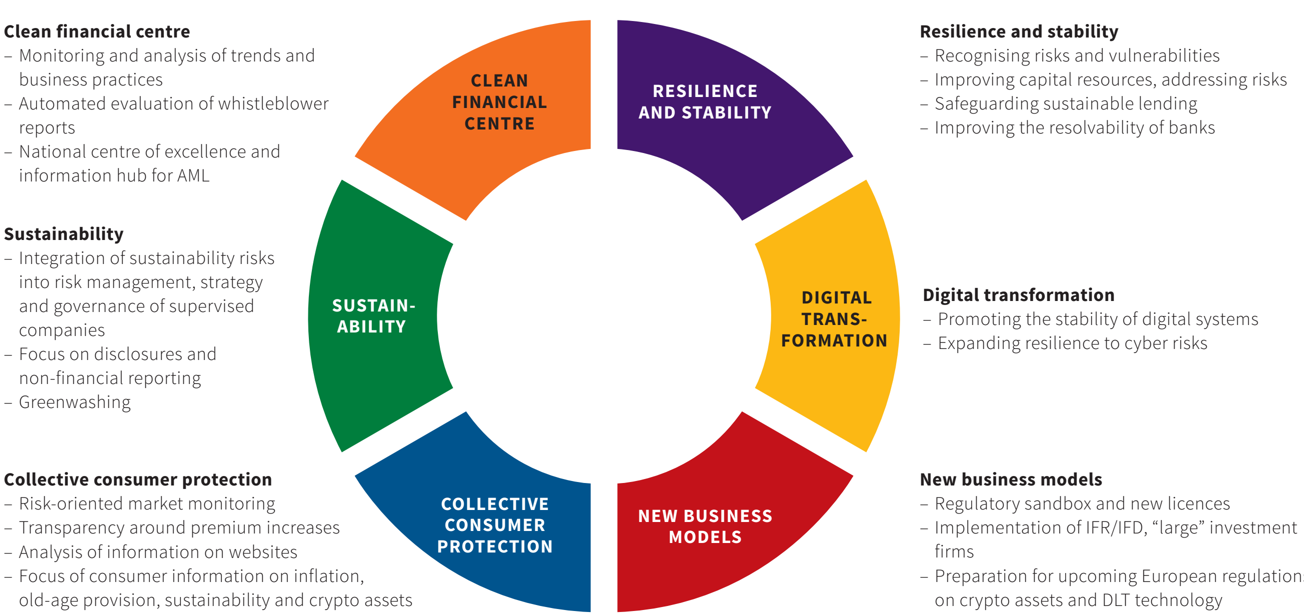
The FMA therefore implemented the following projects in the reporting year to implement the priorities for supervision and inspections.

RESILIENCE AND STABILITY

Strengthening the forward-looking supervisory approach – Addressing vulnerabilities – Developing recovery and resolution concepts

- Recognising vulnerabilities quickly: In order to ensure rapid supervisory action, geopolitical and economic developments and their impact on the markets and the supervised undertakings have been closely monitored and analysed across all of the FMA's supervisory areas, with a focus on vulnerability analyses and stress testing.
- Further improving capital resources, addressing risks: In the case of banks, the focus was on adequate capital resources based on identified risks, keeping pace with international standards. With regard to insurance undertakings, the main focus was on the practical application of internal models while continued supervision was expanded in terms of risk-specific content.
- Safeguarding sound and sustainable lending: In order to contain the growing credit risk as a result of the difficult environment, the focus when granting new loans was on compliance with sustainable lending standards, in particular relating to the private financing of residential real estate (KIM-V[1]).
- Building up recovery and resolution planning for CCPs in the financial infrastructure: As the newly competent authority for the preparation of resolution plans for central counterparties (CCPs) as well as for the review of their recovery plans, the Austrian-based CCP.A was included in this regime to safeguard critical market infrastructures.
- Improving the resolvability of Austrian banks: The gradual implementation of the

***Figure 1:** FMA's supervision priorities for 2023*



[1] *Regulation of the Financial Market Authority (FMA) on measures for the limitation of systemic risk in real estate financing at credit institutions (KIM-V;* Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung*), published in Federal Law Gazette II No. 230/2022.*

European requirements on the resolvability of banks and the identification and addressing of barriers to resolution were accelerated, consistently applying the principle of proportionality.

- Cross-border resolution dry-run: Together with the Czech supervisory authority and European institutions, an open bank bail-in was simulated as part of a dry run, a cross-border crisis exercise. In Austria, Oesterreichische Kontrollbank (OeKB) and the Vienna Stock Exchange were also actively involved for the first time in their resolution-related functions.

DIGITAL TRANSFORMATION

Addressing cyber and IT risks – Further developing supervisory tools – Blackout stress testing

- Promoting the stability of digital systems: The EU Regulation on Digital Operational Resilience (DORA[2]) aims to enable the European financial sector to maintain operational resilience even in the event of a serious disruption. The FMA has therefore focussed on ICT risks, their risk management and governance in dealing with them at the supervised companies. In addition, the ICT service provider landscape was analysed in detail and the resulting risks – particularly in relation to potential systemic risks and infection channels – were evaluated. The findings derived as a result were also integrated into the risk assessment as part of ongoing monitoring activities. The following measures in particular were implemented:
  - Evaluation of institution-specific ICT risk management at banks as part of the supervisory review and evaluation process (SREP)[3]
  - On-site inspections focusing on the information and communication technology of the supervised entities, prioritising ICT security, outsourcing and third-party providers
  - Further development of the FMA's cyber dashboard and the concept for measuring the level of maturity in terms of digitalisation (digital risk profile), for insurance undertakings in particular.
- Expanding resilience to cyber risks: Given the recent explosion in the number of cyber attacks, some with serious consequences, the FMA:
  - Pushed ahead with cyber maturity level assessments of the supervised entities
  - Focused on cyber risks across all sectors as part of the supervisory process and during on-site inspections
  - Was involved in the implementation of an Austrian TIBER framework[4] for banks
  - Rolled out the cyber security exercises to more insurance undertakings
  - Conducted a market-wide assessment of risk mitigation measures using a specific cyber incident scenario.

The FMA has also further developed and carried out stress tests for resilience to a blackout.

---

[2] *Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011.*

[3] *The SREP focuses on the viability of the business model, governance and risk management, capital adequacy and liquidity.*

[4] *TIBER-EU is a framework developed by the European System of Central Banks (ESCB) for the implementation of threat-led penetration testing (TLPT), a specific IT security test. TIBER stands for threat intelligence-based ethical red teaming. This involves "ethical hackers" (a red team) simulating an attack on the IT systems of a financial company, thus enabling a holistic view of the company's security level.*

NEW BUSINESS MODELS

Incorporating crypto assets in regulation and supervision – Developing the regulatory sandbox – Preventing regulatory arbitrage

- Preparation for upcoming European regulations on crypto assets and DLT technology: The following measures were implemented:
  - Expansion of knowledge, and development and adaptation of the processes needed to apply the DLT pilot regime[5] and the MiCAR[6] quickly, efficiently and effectively in supervision
  - Determining whether there is a need for new or additional tools to monitor market abuse using DLT technology or crypto assets
  - Monitoring European and national legislative discourse on the new regulations from the perspective of supervisory practice
  - Evaluation of the new technical and economic developments and business models on the financial market, identification of any need for adaptation in the European and national legal framework in order to promote implementation and application for financial innovations.
- Implementation of IFR[7]/IFD[8], particularly in relation to "large" investment firms: For the purposes of implementing the new European rules governing investment firms, a new prudential supervisory regime for MiFID investment firms has been created in Austria. Based on the 3-pillar model of banking regulations, this provides for new and expanded minimum capital, own funds and liquidity requirements, alongside reporting, notification and disclosure obligations, and due diligence and monitoring obligations. In a departure from the previous MiFID implementation practice in Austria, the concept of the "large investment firm" has now been introduced. Such firms are permitted to hold client funds and client financial instruments. Consequently, the FMA took the following specific steps in 2023:
  - Creation of the organisational prerequisites for the licensing and risk-oriented supervision of "large investment firms"
  - Development of the processes needed for enforcement practice
  - Expansion of the corresponding body of knowledge.
- Regulatory sandbox and new licences: The FMA's regulatory sandbox is a supervisory concept used to test out innovative business models in compliance with supervisory requirements. In it, companies can develop their innovative business model, accompanied by the supervisory authority, as far as regulatory maturity and thus licensing. In order to expand the sandbox, the FMA intensified the ongoing dialogue and close consultation with the Federal Ministry of Finance and its institutionalised Regulatory Sandbox Advisory Board in 2023. To generate new momentum for innovative providers, the procedures used within the sandbox were also analysed, evaluated and optimised.

---

[5] *Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot scheme for market infrastructures based on distributed ledger technology and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.*

[6] *Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.*

[7] *Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.*

[8] *Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.*

COLLECTIVE CONSUMER PROTECTION

Expanding consumer information – Intensifying the fight against investment fraud – Further developing risk-oriented market monitoring

- Expanding risk-oriented market monitoring: While identifying and monitoring financial market trends and risks, the FMA focused on the potentially negative effects of high inflation and changes in investor behaviour. This involved continuing and further intensifying market monitoring in accordance with MiFIR[9] and wider risk-oriented market monitoring.
- European common supervisory actions: Since young customers in particular tend to make their investments almost exclusively online, national borders and national laws cease to be relevant, as do the rules on fair customer information. With this in mind, the FMA therefore reviewed the fair presentation of opportunities and risks, rights and obligations of financial products within the framework of European common supervisory action, i.e. joint and coordinated actions with European supervisory institutions and national partner authorities. "Green" products as well as advertising in the context of business initiation were another main focus.
- Information and marketing communications on websites: Another focus for the FMA was the provision of balanced information and marketing communications on providers' websites. The supervisory authority's expectations in this regard were clearly communicated to the market in advance, and breaches were therefore also sanctioned accordingly.
- Transparency around premium increases: The impact of inflation on policyholders was analysed and evaluated, especially with regard to premium increase information and transparency.
- Focus of consumer information on inflation, old-age provision, sustainability and crypto assets: The FMA provides information on its website on relevant and current issues in clear and simple language. Examples include the annual fee analysis on the costs of investment funds, the "A-Z of Finance" presented in a Q&A format based on the FMA's analysis of enquiries and complaints on the issues that matter most to consumers, and also the monthly information medium "Let's talk about money" dedicated to interesting aspects of topics currently in the news.

SUSTAINABILITY

Integration of sustainability risks into risk management, strategy and governance – Structured dialogue on sustainability issues – Integrated supervision approach

- Integration of sustainability risks into risk management, strategy and governance of supervised companies: The FMA monitored, analysed and evaluated the integration of sustainability risks on an ongoing basis, considering them as a fixed component of its supervisory review and evaluation process, as well as in other regular or ad hoc analysis and in management talks. The results of the implementation check of the FMA Guide for Managing Sustainability Risks were analysed and action to eliminate deficits enforced. In addition, the results from the FMA's capacity-building project on the supervisory treatment of environmental and climate risks, which was being carried out in cooperation with the European Commission (DG REFORM) and the National Bank of Romania (NBR), were made available for continued supervision activities.

[9] *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.*

- Sustainability in disclosures and non-financial reporting: As a result of the FMA being declared responsible in 2022 for the enforcement of the Sustainable Finance Disclosure Regulation (SFDR)[10] and the Taxonomy Regulation[11], it analysed the first-time disclosures under these regulations as well as the Non-Financial Reporting Directive (NFRD)[12]. Outstanding questions and areas of legal uncertainty were addressed and resolved in ongoing dialogue.
- Greenwashing: The disclosures from the above-mentioned regulations are also intended to reduce the risk of greenwashing. The FMA focused on monitoring their compliance and correct application, and particularly on compliance with the sustainability requirements, consistently pursuing any breaches of the rules. It extended its fund document analysis, previously conducted on a random basis, with a focus on funds that take sustainability criteria into account. In terms of sales supervision, the consideration of customers' sustainability preferences in the sale of financial instruments was permanently monitored.

CLEAN FINANCIAL CENTRE

Strengthening market integrity – Developing the prevention of money laundering – Making crypto assets a supervisory priority

- Monitoring and the analysis of trends, business practices and whistleblower reports: As part of ongoing market monitoring, special attention was paid to the economic impact of geopolitical developments on the financial markets. New trends were identified at an early stage with timely, incident-related investigations in accordance with the Market Abuse Directive (MAD). Key focuses included investment recommendations, suspicious transaction and order reports (STOR) and compliance audits, not least with regard to the handling of blocking periods and insider lists. With regard to the analysis of whistleblower reports and complaints, the focus was on investment fraud.
- Creation of a national centre of excellence and information hub for money laundering and the financing of terrorism: In light of the fact that new, entirely digital business models can no longer be supervised at a solely national level, networking and cooperation was expanded and intensified, particularly with international partners. The establishment of cross-border colleges for relevant players in the market was made a priority. To this end, a national centre of excellence and information hub was established within the FMA in order to further promote networking with national and international players in the fight against money laundering and terrorist financing and to prepare for the introduction of the European Anti-Money Laundering Authority (AMLA), including the role of the FMA within this decentralised system. Data-based risk analysis and the utilisation of information and data relevant to money laundering was strengthened in the context of the risk-based supervisory approach (colleges, Financial Intelligence Unit data, other NCAs and players).
- Greater transparency in the FMA's supervisory powers: The many new regulations

---

[10] 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.
[11] 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.
[12] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

make it increasingly difficult to recognise where the supervisory activities of the FMA end or where unauthorised business operations begin. Against this background, the FMA prepared an information campaign to explain the different levels of supervisory protection for certain business models and players (e.g. crowdfunding providers, crypto assets etc.). The exchange of information and liaison/networking with law enforcement authorities were strengthened for the targeted handling of proceedings relating to unauthorised operations. The policies on administrative penalties, in particular with regard to appropriateness and penalty assessment, were further developed from an integrated supervisory perspective, taking European input into account.

In addition to the supervisory 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. The focus during the year under review was a whole series of projects designed to move the FMA forward on its path to fully digitalised supervision. Some of the projects are presented in the "Innovation at the FMA" box on page 75. During the reporting year the FMA also pushed forward with its major change programme "Fit for Future – FMA 2025" *(> page 21)*. This programme uses 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 course can then be mapped out and realised on this basis.

“FIT FOR FUTURE – FMA 2025”: IT STRATEGY AND FUTURE PLANNING

In January 2023, the FMA began the implementation of its multi-year transformation programme “Fit for Future – FMA 2025”. The aim of this intensive process is to chart the FMA’s path to becoming a versatile authority.

As part of the “Technology and Infrastructure” sub-project, the focus in the reporting year was on developing a pioneering IT strategy to strengthen the FMA’s IT environment for the challenges ahead and to elevate it to a new level. The IT strategy helps to develop long-term perspectives and ensure that the IT infrastructure and investments not only fulfil short-term requirements but also take account of future developments.

In order to future-proof the IT infrastructure, the following key areas and measures are being evaluated:

- **Modernisation of the IT architecture:** The IT architecture is being overhauled in order to guarantee a contemporary system structure. One priority is the creation of independent building blocks and the simplification of interfaces between the different systems. The introduction of a cloud-native IT architecture with advanced technologies such as containers, microservices and APIs takes centre stage.
- **Data architecture revolution:** A modern data architecture is being implemented by setting up a multi-level data lake approach (bronze, silver, gold). The one-size-fits-all database structure of old is being replaced, creating a differentiated and customised structure instead. The data lake architecture will initially be realised on-premises, with a clear perspective for the integration of Spark computing into the cloud.
- **Strengthening collaboration with M365:** The implementation of M365 collaboration solutions is the focal point for sustainably improving internal and external collaboration. Increasing security through measures such as data classification and encryption are particular priorities.
- **Strategic cloud usage:** The relocation of current on-premises resources to the cloud is being evaluated in order to take advantage of the many beneficial features such as provisioning speed, quality, flexibility, functional diversity and security. A comprehensive cloud-first strategy will be pursued after successful evaluation.
- **Renewal of application landscape:** In order to eliminate outdated architectures, the majority of the applications used at the FMA are due to be upgraded. The gradual migration to Software as a Service (SaaS) or technology platforms (no code/low code) goes hand in hand with a critical examination and optimisation of processes in the specialist departments.
- **Guaranteeing IT security:** To guarantee international information security, the relevant policies from the ECB environment are being implemented. In addition, a security information and event management (SIEM) solution is being introduced to continuously monitor and analyse security events.
- **Flexible IT organisation:** The IT organisation is consistently aligned with the requirements of the specialist departments. Essential elements of this strategic initiative include the intensification of business and IT alignment as well as ensuring effective IT governance.

This pioneering IT strategy will be rolled out over the next three to four years. While some of the measures, such as the M365 rollout, have already been largely implemented, others, in particular the application upgrade and cloud integration, will require a longer time frame. These strategic initiatives will not only help to make the FMA’s IT landscape more efficient, flexible and secure, but will also prepare it long term for the challenges that lie ahead.

FINANCIAL MARKET DEVELOPMENT

THE GENERAL ECONOMIC ENVIRONMENT

The global economy has been hit by one exogenous shock after another in recent years: COVID-19, Russia's war of aggression against Ukraine, commodity, energy and material shortages, a geopolitically enforced realignment of global economic relations and, ultimately, a massive surge in inflation that forced a reorganisation of monetary policy with a sudden and dramatic turnaround in interest rates. All of these shocks have posed a major challenge to politics and society, with the global economy taking its time to recover from the impact. Weak economic activity, persistently high inflation, huge hikes in interest rates and thus financing costs characterised economic performance in the 2023 reporting year.

GLOBAL ECONOMIC PERFORMANCE

According to the International Monetary Fund (IMF), the world economy proved to be more resilient in 2023 than originally expected. Global inflation fell faster than anticipated, and the negative impact of measures to combat inflation on the labour markets was also limited. Government-supported consumer spending and the utilisation of savings accumulated during the pandemic contributed to these positive developments. On the supply side, there was an increase in the employment rate and a gradual easing of the supply chain issues created by the pandemic, which also had a positive impact on the economy. In contrast, the sharp rise in central bank key interest rates, which are intended to counteract high inflation, had a dampening effect. The higher interest rates pushed up refinancing costs worldwide, slowing down investment activity, as reflected particularly strongly in the construction sector.[1]

EUROPE

While the global economy generally performed positively in 2023, growth in the European economy was very subdued. The European Commission's Winter Forecast for the European Union (EU) assumes economic growth of 0.5% for 2023, with growth of just under 1% expected for 2024. One reason for this is the falling purchasing power of private consumers due to high inflation. In addition, global demand for European export goods has declined, not least in response to higher borrowing costs and geopolitical tensions. Finally, the withdrawal of government support measures and the current monetary policy measures of the European Central Bank (ECB) have also pushed down demand within the economy as a whole. The sudden huge rise in interest

---

[1] *International Monetary Fund (2024), World Economic Outlook, January Update.*

Chart 1: *Oil price 2019–2023 (in €, source: Refinitiv)*

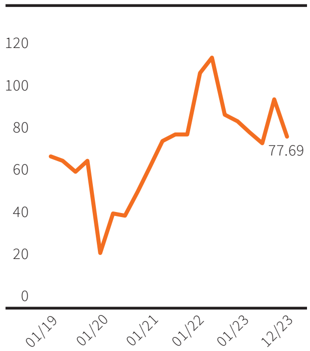


Chart 2: *CO_2 price 2019–2023 (in €, source: Refinitiv)*

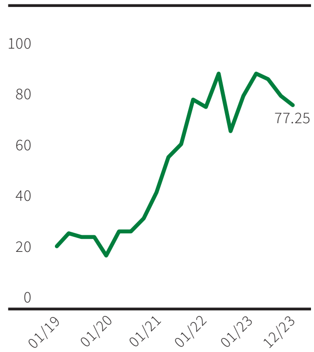


Chart 3: *Gas and electricity prices 2019–2023 (in €, source: Refinitiv)*

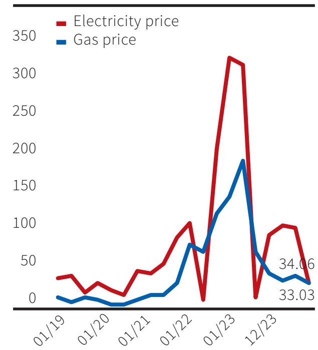


Chart 4: *Baltic Dry Index 2019–2023 (source: Refinitiv)*

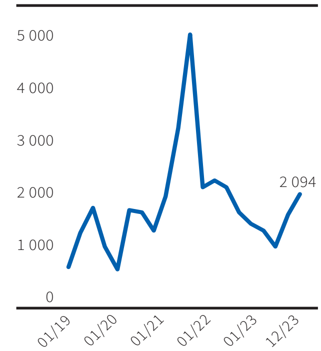


Chart 5: *Growth in gross domestic product 2018–2023 (in %, source: Eurostat)*

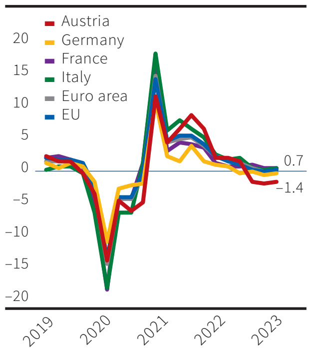


Chart 6: *Unemployment rate 2018–2023 (in %, source: Eurostat)*

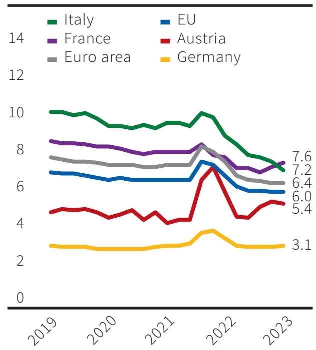


Chart 7: *Government debt 2018–2023 Q3 (as % of GDP, source: Eurostat)*

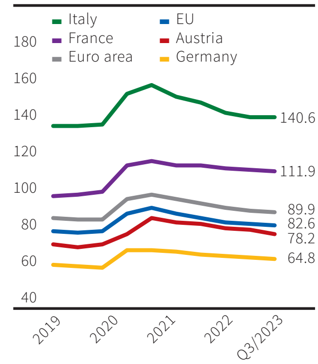
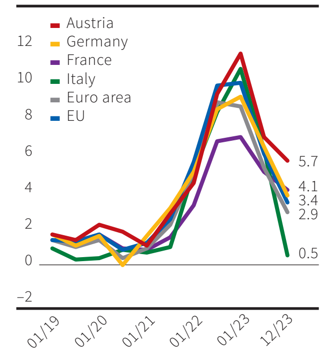


Chart 8: *Inflation 2018–2023 (in %, source: Eurostat)*



rates brought the lengthy property boom to a halt in almost every eurozone country. Construction volumes have fallen sharply across Europe, the financing of mortgage loans and commercial real estate has collapsed, and the property and construction industry face massive pressure. On a positive note, however, the European Commission notes that inflation in Europe appears to be normalising more quickly than foreseen, which is mainly due to falling relative energy prices and a waning dependence on Russian natural gas *(> Charts 1–4, 8)*. The European labour markets have also proven to be very resilient in recent months *(> Chart 6)*. Against this background, hopes are growing on the markets that the ECB will relax its monetary policy soon.[2]

According to the Oesterreichische Nationalbank (OeNB), the economies of Central, Eastern and South-Eastern Europe (CESEE), which are especially important for Austria's financial sector, are recovering from the economic shocks of recent years in very different ways. The economic recovery in these countries is being held back primarily by weaker consumer demand and the reduction of inventories. Positive capital investment, which also benefited from EU funding programmes, contributed to moderate GDP growth in the region *(> Chart 5)*.[3]

AUSTRIA

With its heavy dependence on exports, the Austrian economy developed in line with its international environment. However, while inflation has been significantly reduced in its most important trading partners, Austria is making particularly slow progress in

[2] *European Commission (2024), Winter 2024 Economic Forecast.*

[3] *Oesterreichische Nationalbank (2023), Economic Trends in CESEE (OeNB Report 2023/6).*

getting to grips with the soaring inflation that set in towards the end of 2021. The weak economic outlook, the surge in inflation and the rise in interest rates are weighing on consumer and investment demand. Consequently, the Austrian economy has been in recession since the second quarter of 2023, with the manufacturing and construction sectors hit especially hard. Property prices are stagnating and home ownership is becoming more difficult to finance given the massive rise in mortgage interest rates coupled with increased pressures on disposable household incomes. The commercial property market has also come under severe pressure. An additional factor here is that working from home has dampened demand for office space, particularly since the pandemic. In addition, e-commerce is increasingly taking market share away from bricks-and-mortar retail. In contrast, favourable weather conditions boosted the Austrian tourism sector despite the general rise in prices.

Chart 9: *Job vacancies in Austria 2018–2023 (in thousands, source: OeNB)*

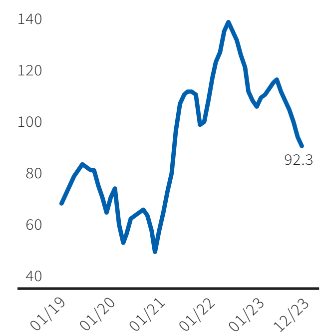
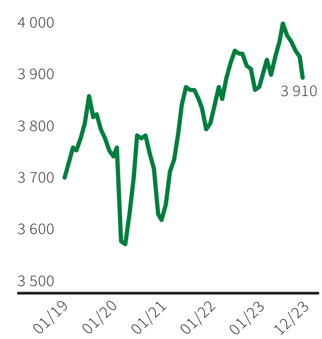


Chart 10: *No. of people in employment 2018–2023 (in thousands, source: OeNB)*



THE INTERNATIONAL FINANCIAL AND CAPITAL MARKETS

The international financial and capital markets continued to be characterised during the reporting year by an ailing economy, monetary policy efforts to combat inflation and more difficult financing conditions for households, companies and governments due to high interest rates. Meanwhile, stock exchanges and financial service providers took advantage of higher yields. The US banking crisis at the beginning of the year and recurring geopolitical and global economic tensions created a consistently tense, uncertain and precarious situation.

MONETARY POLICY AND CURRENCIES

In 2023 most central banks around the world continued the restrictive monetary policies introduced in 2022 to keep inflation in check. The main refinancing rate of the European Central Bank (ECB) was 2.5% at the beginning of the year. It has been 4.5% since September 2023. The ECB's Asset Purchase Programme (APP[1]) was scaled back over the course of 2023, while the Pandemic Emergency Purchase Programme (PEPP[2]) is due to be reinvested in the first half of 2024. The US Federal Reserve raised its key rates from 4.25/4.5% to 5.25/5.5% during 2023. Global inflation rates in most countries are approaching their target values faster and more strongly than expected, with the result that interest rate cuts are widely expected in 2024.

There was a relative appreciation of the euro against the currencies of major import and export countries in late 2023. The exchange rate movements of the Japanese yen (+11.1%) and the Chinese yuan (+6.7%) were the most pronounced, which can be primarily attributed to the interest rate differential between the eurozone and the two Asian countries. Due to a similar monetary policy, the movements of the US dollar and the British pound were therefore also less pronounced. Shortly before the turn of the year, the euro had appreciated sharply against sterling back in 2022. However, it shed value again over the course of 2023. Based on the exchange rate at the beginning of December 2022, the euro gained just over 1% against the pound. Compared with its year-end value, however, sterling appreciated by around 2% in relative terms. The US

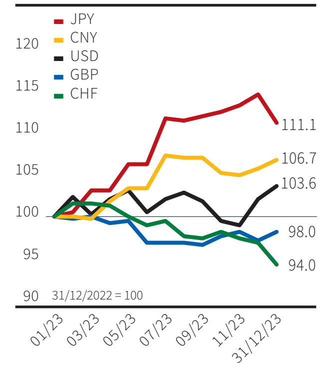
---

[1] As part of the Asset Purchase Programme (APP), the ECB and the national central banks purchase certain assets, including government bonds, securities issued by supranational European institutions, corporate bonds, asset-backed securities (ABS) and covered bonds. By making these purchases, the ECB influences the general financing conditions and thus ultimately economic growth and inflation.

[2] The Pandemic Emergency Purchase Programme (PEPP) is a fixed-term, limited-volume emergency purchase programme launched by the ECB in response to COVID-19. It covers bonds from public and private issuers, based on the APP model. Commercial paper from non-financial issuers with a remaining term of 28 days or more is authorised under the PEPP (APP: 6 months), as well as public bonds with a residual maturity of at least 70 days (APP: 1 year).

dollar exchange rate at the end of 2023 was 3.6% higher than in the previous year. This figure fluctuated between -1.8% in October and 5.5% in July *(> Chart 11)*.

Chart 11: *Development of EUR-USD/JPY/CHF/GBP/CNY in 2023 (source: ECB)*



CREDIT MARKETS

High interest rates and general economic uncertainty continue to put pressure on credit growth. Since the start of the ECB's restrictive monetary policy, corporate credit growth in the eurozone has fallen steadily. Negative growth figures have actually been observed in the region since September 2023. The picture has differed from country to country: while corporate loan growth in Romania was still as high as +12.8% towards the year-end, this compared with –5% in Slovenia. In Germany, the figure at the end of the year was +1.6%, compared with +0.3% in France and –3.8% in Spain. In Austria, growth in corporate loans dipped from around +9% at the beginning of the year to +2.7%.

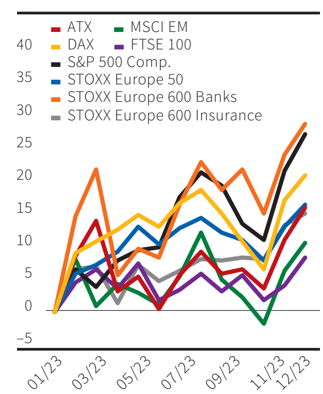
A similar trend can be observed in relation to loans to households. In this segment, credit growth in the eurozone fell from +3.4% to +0.1%. The countries with the highest growth in loans to households at the end of 2023 include Bulgaria (+16.7%), Hungary (+9.5%) and Malta (+7.9%). Greece (-2.1%), Spain (-2.1%) and Austria (-1.9%) recorded negative credit growth over this period.

The main drivers of loans to households are primarily financing for housing and, to a somewhat smaller extent, consumer loans. Growth in residential property financing slowed in the eurozone from +4.4% to +0.2%. Here too, mixed developments can be observed, with loan growth over the year being lowest in Greece, Spain and Poland. With a year-end figure of -2.4%, Austria also recorded low housing loan growth compared with elsewhere in Europe.

EQUITY MARKETS

Over the course of 2023, the major EU indices – the EURO STOXX 50 and STOXX 600 – rose by +12.1% and +12.7% respectively. Despite the nervousness of the markets due to the turbulence in the US banking sector in March 2023, the European equity markets climbed significantly in the first half of the year, primarily due to more positive growth expectations and easing energy concerns. Valuations also rose in the second half of 2023 despite a temporary slump in share prices *(> Chart 12)*.

Chart 12: *International equity indices in 2023 (percentage change compared with start of year, source: Refinitiv)*



There were two main developments responsible for the moderate price increase compared with the first six months. Firstly, there was a significant price correction on the international financial markets in September and October. This market correction was triggered by more pessimistic growth forecasts and increasing geopolitical tensions. By contrast, the price gains in November and December offset the price slumps of earlier months, primarily due to favourable inflation trends and increased expectations that monetary policy would be eased earlier than originally thought. The information technology (IT) sector led the rise on the stock markets. Enthusiasm for artificial intelligence (AI) and the underlying potential of the technology drove up the stocks of chip manufacturers in particular, as evidenced in the performance of the NASDAQ Composite Index, which gained +43% in value in 2023, while the Dow Jones put on +13.7%, in line with movements in Europe.

BOND MARKETS

Although the market turbulence in the US and EU banking sector created greater volatility during the first half of the year, the markets for fixed-income securities remained

Chart 13: *Yield spreads 2018–2023 (in bp, source: Refinitiv)*

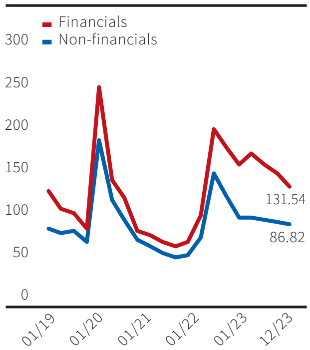
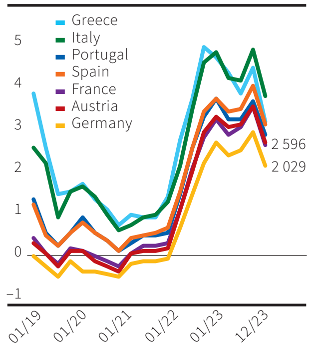


Chart 14: *Yields on 10-year government bonds 2018–2023 (in %, source: OeNB)*



largely stable in 2023. The rally finally came in December, which should be viewed against the backdrop of rising expectations of an imminent interest rate cut by the Fed.

Yields on European government bonds fell over 2023 as a whole *(> Chart 14)*. Although yields rose steadily from March onwards, improved market expectations pushed yields down again in the fourth quarter. In contrast, US Treasury yields remained at around the same level as at the beginning of the year (3.8%), after nearly hitting 5% in October due to fiscal concerns and expectations regarding the future path of the interest rate environment. Similar developments were seen on the markets for corporate bonds. However, the yield distribution across the different rating classes remained rather compressed and above the level of 2022.

THE AUSTRIAN FINANCIAL MARKET

The Austrian financial market has been unable to escape the many current global challenges: geopolitical tensions and armed conflicts, high inflationary pressure and the sudden increase in interest rates, an ailing global economy and sluggish world trade. While the credit market, and real estate finance in particular, has been under pressure, the capital and investment market put in a strong performance in equities, bonds, derivatives and investment funds. Overall, the Austrian financial system has shown itself to be stable, liquid and profitable in these difficult times. This was also the conclusion reached by the International Monetary Fund in its Article IV consultation concluded in March 2024. The IMF gave the Austrian financial market a very good report card, paying tribute in particular to the solid capital resources and high liquidity coverage of its banks, insurance undertakings and *Pensionskassen.* It did however also stress that the results generated in 2023 must be used to prepare for a range of risks in the future.

THE MARKETS

THE CREDIT MARKET

After growth in corporate loans reached an all-time high in August 2022 (+12.1%), credit growth steadily declined over the course of the reporting year, sitting at just +2.7% by December 2023. This development must be viewed against the backdrop of the European Central Bank's restrictive monetary policy. Tougher financing conditions as a result of higher interest rates have quashed demand for borrowing to fund capital investment. On the supply side, banks have also grown more cautious as lenders: the risk assessment of the general economic situation grew gloomier, some key sectors were particularly challenged and, according to OeNB surveys[1], the creditworthiness of many companies has gradually deteriorated since 2022. This had a correspondingly restrictive effect on the availability of credit. However, as in the previous year, corporate lending grew more strongly in Austrian than in the eurozone as a whole.

Meanwhile, lending to households in Austria dropped off more sharply than lending to the corporate sector. The growth in loans in this category alone shrank from +5.6% in June 2022 to –1.9% in December 2023. The breakdown of loans to households by purpose shows a nominal decline of as much as –2.4% for housing loans. In contrast,

---

[1] *OeNB (2024). Bank Lending Survey: Austrian results from January 2024 (OeNB Report 2024/1).*

the outstanding volume of consumer loans increased slightly, up +0.4%. Accumulated new loans, on the other hand, recorded a decline in consumer loans of –5.8% compared with 2022. The granting of new housing loans in Austria fell from € 23.2 billion in 2022 to € 10.4 billion in 2023, a reduction of 55%. Similar developments can be observed across the whole euro area, with Slovakia recording the biggest fall in new housing loans (–60%). The equivalent figure for Germany was approximately –38%, compared with around the –35% mark for the eurozone as a whole. The drop in new lending in Austria follows years of above-average growth compared with the euro area. High interest rates have impacted on households' spending power, particularly in the case of those households with variable-interest loans. During the first half of the year, variable-rate products accounted for around 55% of total new lending in euros in Austria.

Factors such as the ongoing property price boom, which was increasingly decoupled from real economic developments, and the significant proportion of variable-rate loans, as well as high debt service-to-income and loan-to-value ratios prompted the Austrian Financial Market Stability Board (FMSB) to recommend that the FMA set binding sustainable lending standards in 2022. The FMA responded with its Regulation on Real Estate Financing Measures in Credit Institutions (KIM-V; *Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung*), which entered into force on 1 August 2022 and encompasses the following FMSB criteria for the sustainable granting of real estate loans to households: a maximum loan-to-value ratio of 90%, a debt service-to-income ratio of no more than 40% of disposable household income and a maximum loan term of 35 years. The Regulation also provides for generous bank-specific exemption buckets, allowing up to 20% of new loans to be granted outside of the KIM-V criteria on the basis of the bank's own internal risk assessment.

These exemption buckets were only partially utilised in 2023. Loans totalling € 1.1 billion and covered by one of the exemption buckets could still have been granted and, additionally, the three individual exemption buckets (loan-to-value ratio, debt service-to-income ratio and loan term) were also not fully utilised. However, a key reason for the fall in new lending and the low utilisation of exemption buckets was the significant decline in demand for loans. The turnaround in interest rates in 2022 resulted in a huge fall in real estate credit, not just in Austria but EU-wide. In addition to increased financing costs, additional factors such as record-high property prices and construction costs – outstripping the pace of income growth in Austria – also had a negative impact on new investment in private housing.

The aim of the KIM-V is to guarantee the stability of the financial markets through sustainable lending practices. Sustainable lending means that borrowers will be able to afford the loan in the long term, creating housing that is affordable in the long term. In addition, it means that the banking sector does not take on excessive risks, as the financing is backed by sufficient collateral.

By implementing the KIM-V, Austria has taken a key step towards a more stable and sustainable financial market practice, which will strengthen its resilience to potential real estate crises on a long-term basis.

THE AUSTRIAN CAPITAL MARKET

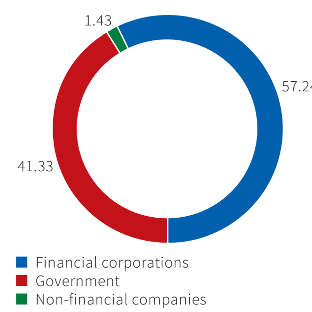
ISSUING ACTIVITY AND HOLDINGS OF INTEREST-BEARING SECURITIES

The total gross issue volume of interest-bearing securities in Austria – across all sec-

	2019	2020	2021	2022	2023
Austria	178 090	202 451	212 135	185 585	196 975
– Non-financial companies	*3 542*	*3 729*	*2 932*	*2 496*	*2 904*
– Private households	*21 908*	*18 578*	*16 515*	*16 029*	*21 998*
– Private non-profit organisations	*999*	*926*	*689*	*620*	*698*
– Financial corporations	*128 175*	*153 241*	*169 228*	*148 663*	*153 804*
– Government	*23 466*	*25 977*	*22 771*	*17 777*	*17 571*
Abroad	326 451	357 462	345 846	307 577	356 817
Total	**504 541**	**559 913**	**557 981**	**493 162**	**553 792**

Table 1: *Holdings of interest-bearing securities in Austria 2019–2023 by creditor sector (in € millions, source: OeNB, last updated 9 April 2024)*

Chat 15: *Gross issue volume of interest-bearing securities in Austria in 2023 (source: OeNB, last updated 9 April 2024)*

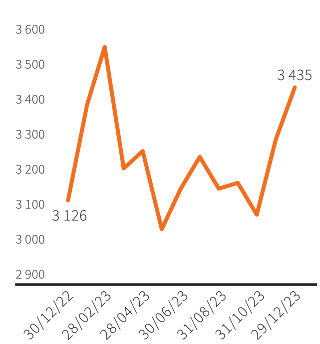


tors – amounted to € 320.8 billion (nominal value) in 2023. The most important issuer group, accounting for € 183.6 billion, was financial corporations.[2] Within this group, monetary financial institutions (essentially banks) issued the majority of the issue volume with a share of € 181.2 billion, around 89% of which was issued as fixed-interest securities. The gross issue volume of government-issued securities totalled € 132.6 billion in 2023, accounting for around 41% of the total volume *(> Chart 15)*.
Holdings of interest-bearing securities in Austria grew once again in 2023. The volume rose from € 493.2 billion in 2022 to € 553.8 billion in 2023, an increase of 12% *(> Table 1)*. As in the previous year, the majority of domestic issues, at € 356.8 billion, were held abroad. This represents an increase of around 16% compared with the previous year (2022: € 307.6 billion). Domestic portfolios totalled € 196.8 billion, mainly invested in financial corporations (€ 153.8 billion). Financial corporations include monetary financial institutions (essentially banks), investment funds, insurance undertakings, *Pensionskassen* and other non-monetary financial institutions. It should be noted that the portfolio of interest-bearing securities held by households increased by just under € 6 billion to around the € 22 billion mark.

THE VIENNA STOCK EXCHANGE

After a turbulent 2022 and a collapse in share prices, the Austrian stock market proved somewhat calmer in 2023. The Austrian Traded Index (ATX) fluctuated between approx. 3 000 and nudging the 3 500 mark, ultimately ending the year at 3 434.97, up +9.9% compared with the 2022 year-end *(> Chart 16)*. This growth was not enough to offset the losses of the previous year, however. The performance of the individual ATX stocks generally followed the trends on the international markets. After a positive start to the year, the turbulence on the US and EU banking markets in March 2023 in particular contributed to a gloomier market mood. In terms of the different sectors, real estate performed best despite the decline in housing finance. The real estate IATX put on +23.5% over the course of the year. The second-highest increase in value was recorded in financials, with the ATX Financials up +16%. The other sector indices posted growth of between +5.3% and +9%. The marked rise in the ATX was largely due to the 81.2% increase in the share price of Immofinanz AG. Lenzing AG and Schoeller-Bleckmann Oilfield Equipment AG, which shed around a quarter of their value, found themselves at the bottom of the price chart.
The market capitalisation of the domestic companies listed in Vienna reached around

Chart 16: *ATX development 2023 (source: Vienna Stock Exchange)*



[2] *Source: OeNB, last updated 9 April 2024, classification as per the European System of National and Regional Accounts (ESA 2010): monetary financial institutions, investment funds, financial auxiliaries, captive financial institutions, other non-monetary financial institutions (excluding insurance companies and* Pensionskassen*), insurance undertakings and Pensionskassen.*

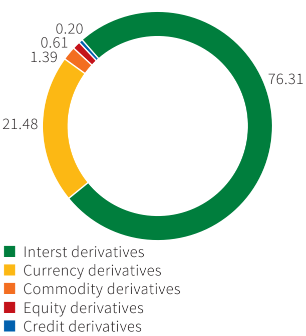
***Table 2:** Development of the Vienna Stock Exchange 2019–2023 (source: Statistics Austria)*

	2019	2020	2021	2022	2023
Capitalisation of domestic shares as at last trading day (in € billions)	117.08	106.61	142.18	114.87	125.56
Market capitalisation equity segment (as % of nominal GDP)	29.45	28.10	35.25	25.66	26.31
Annual trading volume equity market (in € billions)	61.96	68.78	73.32	71.97	54.45
Annual trading volume bond market (in € millions)	659.10	664.81	521.53	389.81	444.37
Annual trading volume structured products (in € millions)	733.14	862.64	807.74	922.54	782.24

€ 125.6 billion at the end of 2023, compared with approximately € 114.9 billion at the end of 2022, an increase of +9.3% *(> Table 2)*. Trading turnover in the equity market (across all market segments) totalled € 54.5 billion last year, down –24% on the previous year's figure of € 72 billion. The annual turnover of structured products also fell, totalling € 782.2 million (–15.2%). In contrast, annual sales in the bond market rose from € 389.8 million to € 444.4 million (+14%).

THE AUSTRIAN DERIVATIVE MARKET

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



The volume of outstanding derivatives (excluding contracts for difference), measured in terms of gross nominal value, with at least one Austrian counterparty amounted to around € 1 262 billion at the 2023 year-end.[3] This figure includes derivatives traded both on-exchange and off-exchange.[4] Within the EU, over-the-counter (OTC) derivative trading predominates.[5] Similarly, Austrian counterparties traded 28% of the outstanding derivatives on-exchange and 72% over the counter. Measured in terms of nominal value, interest derivatives dominated, accounting for 76% of the total market value, followed by currency derivatives at 21.5%. Commodity derivatives accounted for around 1.4% and equity derivatives approximately 0.6% of the total nominal amount.[6] Credit derivatives made up a mere 0.2% *(> Chart 16)*.

The residual maturities reported varied according to asset class and contract type. They average just under four years for credit default swaps and around six years for interest rate swaps. In relation to currency derivatives, the residual maturity for the relevant contract types (swaps, forwards) averaged between three and seven months. Meanwhile, equity and commodity derivatives showed greater variation in terms of contract type. 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 continued to be mainly focused on European credit default indices, public debt instruments and international financials. Equity derivatives were most frequently based on indices such as the EURO STOXX 50, the S&P 500, the ATX and the DAX.

[3] *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 permanently being developed further. Caution should therefore be exercised when making comparisons with the data in previous FMA Annual Reports.*

[4] *"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.*

[5] *ESMA (2021). ESMA Annual Statistical Report on EU Derivatives Markets 2021: https://www.esma.europa.eu/sites/default/files/library/esma50-165-2001_emir_asr_derivatives_2021.pdf*

[6] *The percentage of equity derivatives would have been higher if contracts for difference had been included. However, from a reporting perspective with regard to trading in fractional shares, it makes sense not to include these contracts for the purpose of this market overview.*

THE COMPANIES ON THE AUSTRIAN FINANCIAL MARKET

BANKS AND PAYMENT SERVICE PROVIDERS

STRUCTURAL DEVELOPMENTS

As at the 2023 year-end, 454 credit institutions were licensed in Austria, as well as 19 branches of banks that pursue activities in Austria under the EU's freedom of establishment *(> Table 3)*. Compared with the end of 2022, the total number of banks has fallen by 19, marking the continuation of a trend in evidence for the past few years. In 2019 there were still 550 credit institutions and 22 branches, 99 more institutions than today. The process of consolidation continued particularly strongly in the Raiffeisen sector, with the number of individual institutions falling from 315 to 296.

BUSINESS DEVELOPMENT

Austrian credit institutions' total assets, or business volume, amounted to € 996 billion at the end of 2023, which represents a slight fall of 0.6% compared with the previous year *(> Table 4)*. This is mainly attributable to a decline in the case of joint stock banks (–1.5%) and in the Raiffeisen sector (–1.1%), although a slight decrease of -0.1% was also recorded in relation to savings banks. Positive rates of growth, in contrast, were recorded by special-purpose banks (+2.3%), Volksbank cooperatives (+2.0%), mortgage banks (+0.8%) and building societies (+0.7%). At 35.4%, Raiffeisen coopera-

Table 3*: Number of credit institutions 2019–2023*

	2019	2020	2021	2022	2023
Joint stock banks	41	37	35	35	35
Special-purpose banks[1]	59	58	57	55	55
Savings banks	49	49	49	49	49
Raiffeisen cooperatives	380	354	338	315	296
Volksbank cooperatives	9	9	9	9	9
Mortgage banks	8	8	6	6	6
Building societies	4	4	4	4	4
Total	**550**	**519**	**498**	**473**	**454**
EEA branches	22	24	23	21	19
Payment institutions	6	6	7	6	6
Licensing processes pending as at 31 Dec.	0	0	0	0	0
Passive notifications	125[2]	57	82	82	202

[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.

	2019	2020	2021	2022	2023 (prov.)[1]
Development of assets and liabilities (non-consolidated, in € millions):					
Total assets non-consolidated (sum total)	839 852	934 496	983 930	1 001 474	995 924
– Joint stock banks	*221 094*	*253 680*	*261 363*	*253 947*	*250 167*
– Savings banks	*170 094*	*193 897*	*214 449*	*228 810*	*228 557*
– Mortgage banks	*53 721*	*58 708*	*54 868*	*53 248*	*53 666*
– Raiffeisen cooperatives	*292 235*	*322 459*	*349 077*	*362 004*	*358 165*
– Volksbank cooperatives	*33 016*	*34 471*	*36 372*	*34 392*	*35 086*
– Building societies	*21 980*	*21 480*	*20 724*	*23 092*	*23 259*
– Special purpose banks[2]	*47 713*	*49 800*	*47 077*	*45 981*	*47 024*
Loans and credit	638 287	665 169	703 712	718 760	690 965
Debt securities and other fixed-income securities	45 733	45 798	42 854	52 406	121 147
Shares and other variable-yield securities	10 540	10 094	9 976	9 238	8 190
Other asset items	145 292	213 434	227 388	137 254	23 979
Liabilities to credit institutions	155 739	210 971	231 165	209 916	149 923
Liabilities to non-banks	430 436	463 095	490 050	497 166	505 960
Other liability items	120 761	124 089	127 131	134 456	23 040
Sustainability of business activity (non-consolidated):					
Foreign currency loans (as % of loans to households)	8.3	6.8	5.5	4.7	4.2
Non-performing and irrecoverable loans (as % of total loans)[2]	1.7	1.5	1.4	1.3	1.9
Net income in terms of sectors (non-consolidated, in € millions):					
Net income (sum total)	4 714	2 250	6 674	4 937	12 127
– Joint stock banks	*667*	*458*	*1 234*	*1 649*	*2 457*
– Savings banks	*1 872*	*245*	*2 546*	*2 402*	*4 311*
– Mortgage banks	*141*	*149*	*187*	*255*	*215*
– Raiffeisen cooperatives	*1 575*	*1 070*	*2 142*	*238*	*4 572*
– Volksbank cooperatives	*110*	*32*	*52*	*141*	*319*
– Building societies	*79*	*54*	*151*	*136*	*117*
– Special purpose banks[2]	*271*	*242*	*361*	*116*	*135*
Earnings situation (non-consolidated, in € millions):					
Net interest income	8 280	8 330	8 565	10 426	15 793
Operating income	18 801	18 259	19 926	22 989	25 739
Operating expenses	13 652	12 819	13 323	13 429	11 321
Operating result	5 150	5 439	6 603	9 560	14 418
Cost-income ratio (in %)	72.61	70.21	66.86	58.42	43.98

***Table 4:** Market development of the Austrian banking sector[3] 2019–2023 (source: OeNB, financial statement figures 2019–2022, asset, trading and risk statements 2023)*

[1] Data break compared with earlier periods due to the conversion of unconsolidated reports in the savings bank sector to IFRS.
[2] Including cash and sight deposits.
[3] Excluding branches from EEA countries in Austria (Article 9 BWG), credit guarantee banks, corporate provision funds, and exchange offices/remittance services.

tives continued to hold the largest market share in terms of business volume, followed by joint stock banks (24.7%) and savings banks (22.6%) *(> Chart 18)*.

At 69.4% and with a volume of € 691 billion, the "loans and credit balance" sheet item continued to account for the largest share of Austrian banks' assets in 2023, although this item fell slightly in both percentage and absolute terms compared with the previous year. On the assets side, it should also be highlighted that the balance sheet item "Debt securities and other fixed-income securities" rose sharply in the reporting year: following only moderate growth in recent years, this item increased by +131.2% to € 121 billion between 2022 and 2023. The biggest fall on the assets side, meanwhile, was in "Other assets items", which was down –82.5%.

At 50.8% and a volume of € 506 billion, the "Liabilities to non-banks" balance sheet item continued to account for the largest share of the liabilities side in 2023, a slight increase compared with 2022 in both percentage and absolute terms. The biggest fall on the liabilities side was in "Other liability items", which was down –82.9%.

EARNINGS SITUATION

A non-consolidated operating result of around € 14.4 billion is expected for Austrian banks in the reporting year (at the time of this report being prepared), representing a significant +50.8% increase on the previous year. Underlying this development is a significant rise in operating income (+11.9%) combined with lower operating expenses (–15.7%). A key driver for the increase in operating income was the considerable growth of +51.5% in net interest income. At 45.3%, interest income continues to account for a high share of operating income.

Austrian credit institutions forecast non-consolidated net income of € 12.1 billion for 2023 (the final figures were not yet available at the time of this report being prepared). This represents growth of 145.7% compared with the 2022 financial year. The individual sectors paint a mixed picture: by far the largest increase was recorded by the Raiffeisen sector, which also generated the largest share of income with an expected net profit of € 4.6 billion. However, the reason for the marked increase in the Raiffeisen sector is that its net profit in the previous year was hit particularly hard by write-downs on equity investments, which were necessary in the sector as a result of Russia's aggressive war against Ukraine, and therefore represented an outlier. Positive growth rates were also recorded by the Volksbank cooperatives (+125.6%), savings banks (+79.5%), joint stock banks (+49.0%) and special-purpose banks (+16.8%). By contrast, mortgage banks (-15.5%) and building societies (-13.7%) recorded lower figures.

CAPITAL AND LIQUIDITY

At the 2023 year-end, the Austrian banking sector held a CET1 capital ratio of 17.1% at an aggregated level *(> Chart 19)*, which is higher than in 2022. The reason for the increase is that own funds grew more strongly than risk-weighted assets (RWA) over the same period (+6.1% and +0.9% respectively). While the liquidity ratio for 2023 continued to drop, it is still solid, with an aggregated coverage ratio of 162.3% (weighted average at the year-end) and well above the minimum requirement of 100% *(> Chart 20)*.

INSURANCE UNDERTAKINGS

STRUCTURAL DEVELOPMENTS

As at the 2023 year-end, 74 insurance undertakings and mutual associations[7] held a licence granted by the FMA and were operating in the Austrian market, four fewer than in 2022. Five years ago, there were eleven more providers on the market. Additionally, 25 insurance undertakings from within the European Economic Area (EEA) were offering their financial services in Austria under the freedom of establishment or through a branch, and more than 900 companies were registered to provide services here. The companies supervised by the FMA comprised 33 major insurance undertakings, six of which operate as mutual associations, 26 as joint stock companies and one as a foreign insurance undertaking licensed in Austria *(> Table 5)*. Additionally, 41 small mutual associations, which are among Austria's oldest insurers and specialise in fire insurance (around two thirds) and livestock insurance, also fell under the FMA's remit. Austria is traditionally dominated by composite insurers which, besides

***Chart 18**: Market shares of sectors in 2022 including branches from EEA countries (Article 9 BWG) and corporate provision funds (in %)*

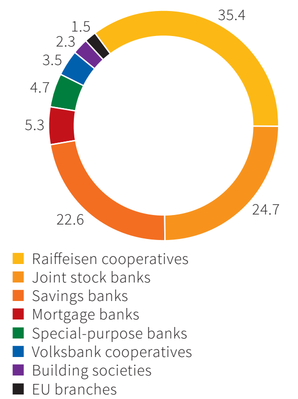


***Chart 19:** Capital base 2019–2023 (as % of RWA)*

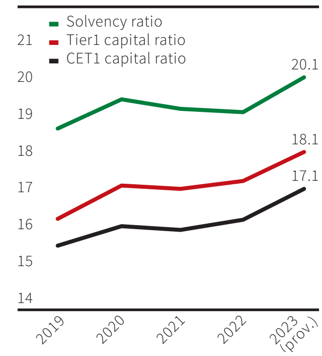
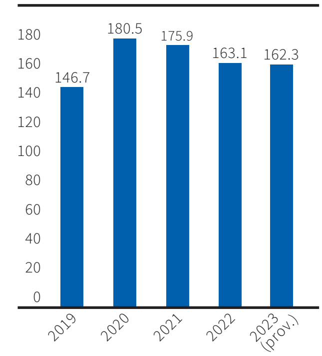


***Chart 20:** Liquidity coverage ratio 2019–2023, weighted average at year-end (in %)*



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

	2019	2020	2021	2022	2023
Legal forms:					
Mutual associations (excluding small mutuals)	6	6	6	6	6
Joint stock companies	29	28	27	27	26
Small mutual associations	47	45	44	44	41
Total	**82**	**79**	**77**	**77**	**73**
Mutual associations dealing in asset management/private foundations	6	6	6	6	6
Business areas:					
Life insurance	22	22	22	22	22
Non-life and accident insurance	29	30	28	28	27
Health insurance	9	9	10	10	11
Reinsurance only	1	1	1	1	1
Business areas small mutual associations:					
Fire insurance associations	30	29	29	29	28
Animal insurance associations	16	15	14	14	12
Death benefit funds	0	0	0	0	0
Reinsurance associations for small mutuals	1	1	1	1	1
Total assets at market values					
(excluding investments for unit-linked and index-linked life insurance, in € billions)	110.60	114.41	116.68	102,66	106.12
EEA insurers in Austria					
Operating through branches	29	28	28	27	25
Premiums written in Austria (direct gross amount, in € millions):					
Life insurance	5 424	5 360	5 390	5 338	5 079
– Unit-linked and index-linked life insurance	*1 259*	*1 364*	*1 445*	*1 496*	*1 394*
Health insurance	2 340	2 433	2 541	2 628	2 861
Non-life and accident insurance	11 026	11 316	11 833	12 850	14 008
Total	**18 789**	**19 109**	**19 764**	**20 816**	**21 948**
Claims paid (in € millions):					
Life insurance	7 255	7 903	7 170	7 199	7 271
Health insurance	1 542	1 461	1 482	1 655	1 829
Non-life and accident insurance	6 528	6 573	7 893	8 089	8 678
Total	**15 324**	**15 937**	**16 545**	**16 629**	**17 777**
Earnings and profitability (in € millions):					
Technical account balance	618	554	766	584	547
Financial result	3 118	1 771	3 082	2 180	3 055
Result from ordinary activities	1 693	744	1 942	967	1 753
Return on sales (in %):					
Non-life/health	13.65	6.53	14.30	6.42	10.29
Life	1.71	–0.88	2.02	1.65	4.81
Health	4.31	2.29	6.13	2.38	2.89
Total	**9.03**	**3.90**	**9.87**	**4.67**	**8.04**

***Table 5:** Key figures and market development of Austrian insurance undertakings 2019–2023*

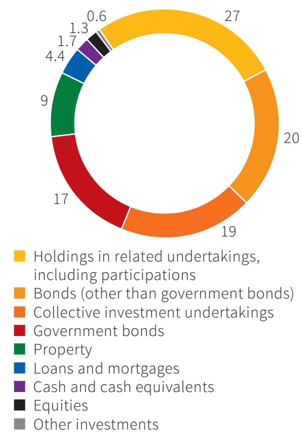
life insurance, also pursue activities in at least one other balance sheet group, i.e. health insurance or non-life and accident insurance.

BUSINESS DEVELOPMENT

At the end of 2023, Austrian insurance undertakings were managing assets totalling € 106.12 billion, a rise of € 3.46 billion or 3.36% compared with the previous year-end. Investments for unit-linked and index-linked life insurance products are not included in these figures. The volume of domestic premiums written (gross amount) was up by +5.44% year-on-year, totalling € 21.95 billion *(> Table 5)*.

With regard to life insurance, premium revenues were down -4.85% year-on-year to € 5.08 billion. The proportion of premiums from unit-linked and index-linked life insurance fell, amounting to 27.44% of all premiums written in life insurance (2022: 28.02%).
Life insurance claims incurred were up +1.00% during the reporting year, totalling € 7.27 billion (2022: € 7.20 billion). Non-life and accident insurance, with premiums totalling € 14.01 billion, also recorded an increase of 9.01%. Totalling € 8.68 billion, claims grew by +7.27%. With premiums written of € 2.86 billion, health insurance recorded an increase of 8.89% on the previous year. Amounting to € 1.83 billion, claims incurred were up by +10.51% in this group.
At 8.04%, the return on sales improved in the reporting year. The equivalent figure for 2022 was 4.67%. The result from ordinary activities was also higher in 2023, rising by +81.31% to € 1.75 billion. As far as investments are concerned, these continued to be clearly focused on interest-bearing securities *(> Chart 21)*, while equity investments remained low.

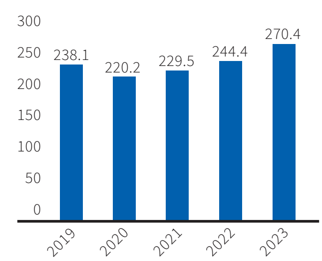
Chart 21: *Breakdown of investments 2023 at market values (excluding unit-linked and index-linked life insurance; in %, rounded)**



CAPITAL BASE

The SCR (solvency capital requirement) ratio, depicting insurers' capital base, was good and stable in 2023, amounting to 270.4% (median) of minimum requirements on a sector-wide basis at the end of the reporting year *(> Chart 22)*, which is above the level of 244.4% recorded in 2022.

Chart 22: *SCR ratio 2018–2022 (median, in %)*



PENSIONSKASSEN

STRUCTURAL DEVELOPMENTS

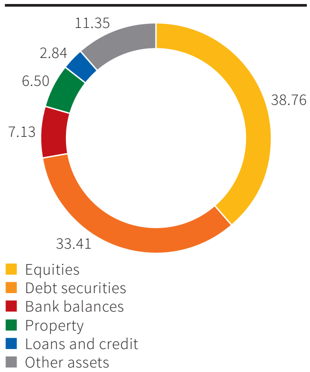
The process of consolidation in the pension company market has ground to a halt. While the number of *Pensionskassen* (PK) dropped from 13 to eight between 2015 and 2019, it has remained unchanged since 2019 *(> Table 6)*. There are five multi-employer and three single-employer *Pensionskassen*.
Single-employer *Pensionskassen* are entitled to carry out pension company activities for the beneficiaries of only one employer or company group, and were primarily 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 entrusted to them in 97 IRGs, four security-oriented IRGs and 38 sub-IGs, each of which pursued different investment and risk strategies.
The number of beneficiaries, i.e. 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, totalled roughly 1 067 000, which is 25 000 or 2.4% more than in the previous year. This means that about one in every four employed persons in Austria is entitled to a supplementary pension from this form of voluntary occupational pension provision, and approximately 13.6% of these beneficiaries are already drawing a supplementary occupational pension.

** Correction: This chart contained incorrectly labelled data in an earlier version of the annual report. The chart has been corrected.*

	2019	2020	2021	2022	2023
Number of *Pensionskassen*	8	8	8	8	8
Number of investment and risk sharing groups	101	100	99	97	97
Number of security-oriented IRGs	4	4	4	4	4
Number of sub-IGs	34	34	35	38	38
Assets managed by *Pensionskassen* (total, in € millions)	24 295	24 969	26 969	24 351	26 380
– Single-employer	*2 052*	*2 167*	*2 272*	*2 105*	*2 263*
– Multi-employer	*22 243*	*22 801*	*24 697*	*22 246*	*24 118*
Number of beneficiaries (total)	979 637	994 752	1 015 452	1 041 454	1 066 582
– Single-employer	*263 842*	*263 259*	*262 985*	*267 024*	*268 387*
– Multi-employer	*715 795*	*731 493*	*752 467*	*774 430*	*798 195*
– Beneficiaries (entitled)	*868 230*	*875 728*	*887 953*	*904 583*	*921 780*
– Beneficiaries (recipients)	*111 407*	*119 024*	*127 499*	*136 871*	*144 802*
Beneficiaries (entitled) (as % of dependently employed persons in Austria)	22.20	22.70	23.22	23.41	23.13
Beneficiaries (recipients) (as % of total)	11.37	11.97	12.56	13.14	13.58

***Table 6:** Overview of pension company market 2019–2023*

***Chart 23**: Types of investment by* Pensionskassen *in 2023 (in %)*



BUSINESS DEVELOPMENT

As at 31 December 2023, Austrian *Pensionskassen* were together managing a volume of € 26.38 billion, representing an increase of around +8.33% on the previous year. This change in assets under management was for the most part due to investment performance, which averaged +6.41% in the reporting year, compared with -9.68% in 2022 *(> Table 7)*. Over the past three, five and ten-year periods, *Pensionskassen* recorded performances of +1.14%, +3.43% and +3.20% respectively.

The proportion of pension company assets held indirectly via investment funds is 95.71%. Broken down by investment category, equities made up the largest portion at 38.76%, followed by debt securities at 33.41%, bank balances at 7.13% and real estate at 6.5%. The remaining categories are loans and credit (2.84%) and other assets (11.35%) *(> Chart 23)*. After taking currency hedging into account, around 30.71% of the assets was invested in foreign currency.

***Table 7:** Investment performance of* Pensionskassen *2019–2023 (in %)*

	2019	2020	2021	2022	2023
Investment performance (total)	11,63	2,49	7,63	–9,68	6,41
– Single-employer	*9,59*	*4,24*	*4,41*	*–8,77*	*5,29*
– Multi-employer	*11,82*	*2,33*	*7,94*	*–9,76*	*6,52*

CORPORATE PROVISION FUNDS

STRUCTURAL DEVELOPMENTS

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 employee’s monthly salary and any special payments to the health insurance institution, which then forwards that contribution to the corporate provision fund in order to fund the employee’s individual 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 other 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 previ-

	2019	2020	2021	2022	2023
Number of corporate provision funds	8	8	8	8	8
Number of collective investment undertakings	10	10	10	10	10
Number of membership contracts	1 451 362	1 514 670	1 595 373	1 662 702	1 710 749
– Provision for employees pursuant to Part 1 BMSVG	*689 411*	*715 092*	*742 674*	*770 106*	*779 160*
– Provision for the self-employed pursuant to Part 4 BMSVG	*748 544*	*786 609*	*838 892*	*878 602*	*917 443*
– Provision for the self-employed pursuant to Part 5 BMSVG	*13 407*	*12 969*	*13 807*	*13 994*	*14 146*
Assets of corporate provision funds (in € millions)	13 304	14 489	16 524	16 561	18 846
Current contributions (in € millions)	1 722	1 777	1 853	2 095	2 305
Performance of corporate provision funds (in %)	5.74	1.41	4.05	–7.66	4.62
Disposal options (in € millions):					
Payout as capital sum	586.93	719.03	668.71	772.85	892.06
Transfer to another corporate provision fund	43.50	50.86	53.36	53.06	62.21
Remittance to supplementary pension or occupational group insurance scheme	0.01	0.05	0.01	0.04	–
Remittance to a *Pensionskasse*	2.26	2.15	2.79	3.60	3.47
Total	**632.70**	**772.09**	**724.87**	**829.55**	**957.74**

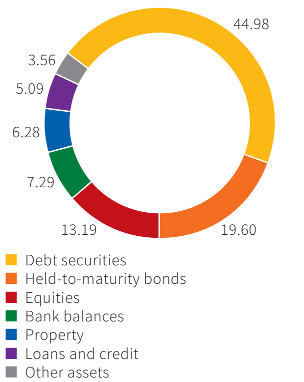
Table 8: *Key figures and market development of corporate provision funds 2019–2023 (source: Association of Austrian Occupational Pension and Provision Funds)*

ous 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)*.
As at the reporting date, the number of membership contracts – measured on the basis of employer account numbers – had increased by +2.89% from 1 662 702 to 1 710 749. Provision for employees rose by 1.2% (from 770 106 to 779 160 contracts), and provision for the self-employed grew by 4.4% (from 892 596 to 931 589 contracts).

BUSINESS DEVELOPMENT

Corporate provision funds received current contributions totalling € 2.31 billion (+10.03% on the previous year) during the year under review, of which € 2.16 billion (+10.59%) was paid into the provision for employees and € 147.20 million (+2.49%) into self-employed provision. The total assets managed therefore grew by € 2.28 billion or 13.80% to € 18.85 billion, which was primarily attributable to higher contribution payments and a positive investment performance *(> Table 8)*.
A total of € 892.06 million was paid out as a capital sum to 533 352 beneficiaries (entitled) in 2023. Over the same period, 52 750 beneficiaries (entitled) transferred their pension entitlements to another corporate provision fund, moving € 62.21 million in total. Additionally, 674 individuals paid in a total of € 3.47 million to a *Pensionskasse* or supplementary pension insurance scheme, or to an 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 the 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 2023. 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

***Chart 24:** Types of investment by corporate provision funds in 2023 (in %)*



that asset allocation is focused on bonds *(> Chart 24)*. Corporate provision funds' average performance for their investments was up +4.62% in the reporting year (2022: –7.66%).

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 is unchanged on previous years *(> Table 9)*. Of these 14 investment fund management companies, 13 also held a licence as an alternative investment fund manager (AIFM).

In total, there were 60 AIFMs approved by the FMA at the 2023 year-end (2022 year-end: 60), 22 of which are licensed and 38 of which are subject to obligatory registration.[8] The number of AIFMs was unchanged compared with the previous year. The number of registered AIFMs also stayed the same, albeit with two companies registering as AIFMs and two providers cancelling their registration *(> Figure 2)*. One registered AIFM acquired an additional licence to manage European Venture Capital Funds (EuVECA), increasing the number of EuVECA managers from 14 to 15.

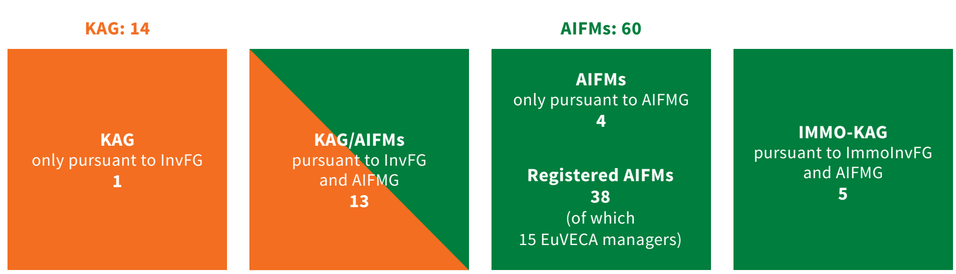
As at the reporting date of 31 December 2023, there were 2 074 funds being managed by Austrian investment fund management companies and/or AIFMs, as well as two further EEA management companies operating in Austria based on the EU passport regime (2022: 2 070). This figure includes 69 AIFs (of which 28 EuVECA) that are managed by registered AIFMs in Austria. Five Austrian real estate investment fund management companies (Immo-KAG) were managing a total of seven real estate funds and five special real estate funds, all of which were AIFs.

The number of domestic UCITS has fallen steadily over recent years, but there was an increase again during the reporting year, up from 873 to 883 by the 2023 year-end.

***Table 9:** Number of Austrian asset managers 2019–2023*

	2019	2020	2021	2022	2023
KAG pursuant to InvFG 2011	14	14	14	14	14
Licensed AIFMs	23	23	22	22	22
– Immo-KAG pursuant to ImmoInvFG	*5*	*5*	*5*	*5*	*5*
Registered AIFMs	28	31	34	38	38
– of which EuVECA managers	*9*	*10*	*12*	*14*	*15*

***Figure 2:** : Authorisations of Austrian KAG and AIFMs by law 2023*



8 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 under management, it may simply register its services instead of obtaining a licence. In this context it should be noted that registered AIFMs are not permitted to market any AIF to retail investors, or to engage in cross-border marketing or cross-border management.

	2019	2020	2021	2022	2023
Domestic UCITS of KAG:					
Article 2 paras. 1 and 2 InvFG	907	905	903	873	883
Article 75 InvFG	1	–	–	–	–
Total	**908**	**905**	**903**	**873**	**883**
Domestic AIFs of (Immo-)KAG as well as of licensed and registered AIFMs:					
Article 166 InvFG	131	116	113	113	114
Article 168 et seq. InvFG	6	4	4	4	4
Real estate funds and special real estate funds	13	13	14	13	12
Special funds pursuant to the InvFG	913	932	965	1 000	991
AIFs of registered AIFMs	37	35	36	40	41
EuVECA	11	13	19	26	28
Other managed AIFs	–	–	1	1	1
Total	**1 111**	**1 113**	**1 152**	**1 197**	**1 191**

Table 10: *Key figures of the Austrian investment fund market 2019–2023*

These undertakings for collective investment in transferable securities are investment funds that comply with the relevant EU directive[9]. The number of AIFs dipped slightly over the same period, down from 1 197 to 1 191 *(> Table 10)*.

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 2023, 14 credit institutions were operating in this field of business, the same number as 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 € 202.13 billion in Austria as at 31 December 2023, excluding the fund assets managed by real estate investment fund management companies. This equates to a year-on-year increase of € 14.36 billion, or +7.65% *(> Chart 25)*.

Net inflows during the reporting year totalled € 619.71 million. In contrast, 2022 saw net outflows of € 580 million. Broken down by fund category, bond funds recorded an increase of € 2.66 billion, followed by equity funds (+€ 456.65 million). Mixed funds posted a fall of € 1.49 billion, followed by short-term bond funds (-€ 975.35 million), hedge funds of funds (–€ 20.06 million) and derivative funds (-€ 9.24 million) *(> Chart 26)*.

The dominant position of mixed funds is reflected, as in the previous five years, in the overall distribution of total fund assets. As at the end of 2023, € 97.98 billion or 48.47% of the total assets was invested in this category, with bond funds occupying second place at € 58.76 billion or 29.07%. Equity funds were in third place, at € 40.82 billion or 20.19%, followed by short-term bond funds (2.12%), derivative funds (0.09%) and hedge funds of funds (0.05%) (> Chart 27).

Broken down by target group, 51.87% of shareholders were invested in retail funds and 48.13% in special funds at the 2023 year-end. These figures also include AIFs as defined in the InvFG 2011, such as special funds and other special assets. In addition,

[9] *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:** Fund assets of investment funds 2019–2023 (in € billions)*

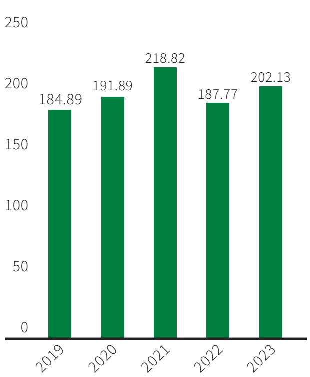


***Chart 26:** Net inflows/outflows by investment category in 2023 (in € millions)*

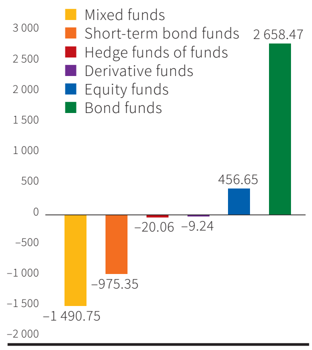


***Chart 27:** Fund volumes by investment category (as at 31 Dec. 2023, in %)*

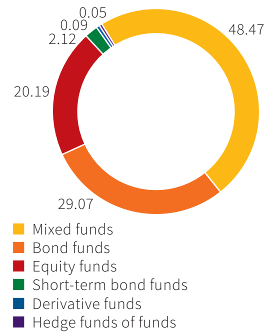
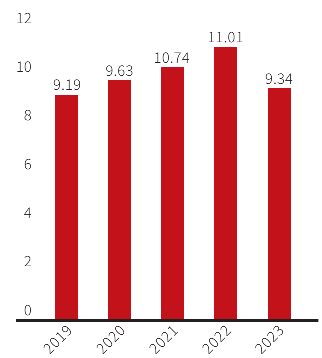


***Chart 28:** Fund assets of real estate funds 2019–2023 (in € billions)*



AIFMs that are only licensed or registered according to the AIFMG managed fund assets of Austrian AIFs amounting to approximately € 1.7 billion as at 31 December 2023 (provisional figures at the time of this report being prepared).

As at the reporting date of 31 December 2023, the five Austrian real estate investment fund management companies were managing fund assets of € 9.34 billion, representing a year-on-year fall of -15.18% *(> Chart 28)*.

INVESTMENT SERVICE PROVIDERS

STRUCTURAL DEVELOPMENTS

As at the end of 2023, there were 122 companies licensed by the FMA, 62 of which as investment firms and 45 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 therefore remained stable *(> Table 11)*. Of all the licensed companies, 114 were entitled to provide investment advice relating to financial instruments and 57 companies were authorised to manage client portfolios. In all, 109 companies 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 EEA, with nine of these firms maintaining branches in the EEA. In 2023 there were 1 052 investment firms with their head offices situated in another EEA Member State that were authorised to provide investment services in Austria under the freedom to provide services by way of a branch or notification through the passport regime. Of those firms that had provided notification of their operations in Austria, 270 (25.67%) came from Germany, followed by 230 (21.68%) from Cyprus and 87 (8.27%) from the Netherlands.

A total of 1 449 individuals were registered as tied agents with the FMA and working for 30 Austrian investment firms and investment service providers; 13 tied agents were registered at six investment firms from the EEA based in Austria, 337 natural and legal persons were registered as tied agents at three Austrian banks and at one bank originating from the EEA, and a further 26 natural and legal persons were registered

	2019	2020	2021	2022	2023
All companies	**122**	**126**	**126**	**125**	**122**
Licences:					
Investment firms	65	64	64	65	62
Investment service providers	43	48	47	45	45
AIFMs with additional licence	3	3	3	3	3
Investment fund management companies with additional licence	7	7	8	8	8
Insurance undertakings (statutory fund management)	4	4	4	4	4
Investment advice	115	120	120	119	114
Portfolio management	51	54	54	56	57
Receipt and transmission of orders	111	114	114	113	109
Multilateral trading facility	0	0	0	0	0
European passport for services	44	45	44	43	44
European passport for branches	7	7	7	8	9
Cooperation with financial services assistants/securities brokers	56	57	56	55	52
Legal form:					
Joint stock companies (AG)	12	12	12	12	12
Limited liability companies (GmbH)	95	96	97	96	93
Partnerships	3	2	2	2	2
Sole traders	12	16	15	15	15
Business activity:					
Investment advice	47	61	62	62	57
Portfolio management	37	41	37	38	38
Receipt and transmission of orders	64	61	56	53	47
Investment funds advisory:					
UCITS advisory	21	25	21	25	26
AIF advisory	8	12	9	12	13
External management of investment funds:					
UCITS management	23	26	21	23	24
AIF management	17	19	17	23	23
Appointment of tied agents	36	39	39	37	36
Cooperation with securities brokers	24	21	20	21	19
Sale of own products	47	44	47	43	46
Key account customer services	33	35	37	34	35
Tied agents:					
Tied agents registered in Austria	1 810	1 760	1 876	1 902	1 825
– Of which legal entities	*229*	*240*	*257*	*264*	*253*

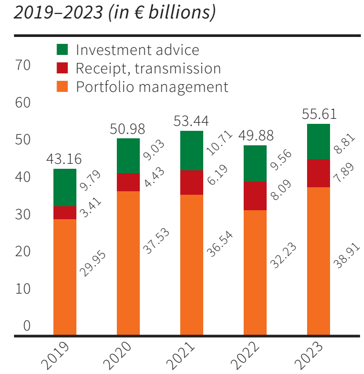
Table 11: *Key figures of Austrian investment service providers 2019–2023*

as tied agents at one Austrian insurance company. With regard to companies, there were 253 registered with the FMA as tied agents and operating in the form of a legal entity in 2023. A total of 52 Austrian investment firms and investment service providers were entitled to provide services through securities brokers. Of these, only 19 actually exercised the right granted to them. As at 31 December 2023, 312 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 client assets totalling € 55.61 billion in 2023 *(> Chart 29)*. The number of customers was 692 658, with assets managed per customer of € 80 286.87. Approximately 16% of the total assets under management related to investment advice, 70% to portfolio management, and 14% to the receipt and transmission of orders.

Chart 29: *Customer assets under management by type of service 2019–2023 (in € billions)*



CROWDFUNDING SERVICE PROVIDERS

The supervision of crowdfunding service providers as defined in Regulation (EU) 2020/1503 on European Crowdfunding Service Providers (ECSPR) is one of the newest additions to the FMA's supervisory remit. It was made the competent authority for the authorisation, supervision and sanctioning of crowdfunding service providers on 31 December 2021 when the Crowdfunding Enforcement Act (*Schwarmfinanzierung-Vollzugsgesetz*) entered into force.

The provision of crowdfunding services in accordance with the ECSPR creates a harmonised, alternative form of financing and investment throughout Europe, focusing on the digitalisation of service provision through the legally required use of a web-based platform. With the help of this platform, it is possible to bring together business interests between capital providers (investors) and the company seeking financing (project owner) with the support of the crowdfunding service provider acting as intermediary. Generally speaking, relatively small investment amounts are invested, sometimes associated with a considerable level of risk (risk of partial or total loss).

The financial products covered by the ECSPR and offered to investors as part of crowdfunding campaigns include loans, transferable securities such as shares and bonds, and other special instruments authorised for crowdfunding purposes. These crowdfunding offers must not exceed the limit of € 5 million, as this would exclude them from the scope of the ECSPR.

STRUCTURAL DEVELOPMENTS

At the end of 2023, three companies based in Austria were authorised to provide crowdfunding services in accordance with the ECSPR in their home country and within the European Union (EU) under the freedom to provide services. The FMA conducted all authorisation procedures under the regulatory sandbox regime in compliance with all supervisory standards. Most of the authorised crowdfunding service providers are small and medium-sized enterprises not previously supervised by the FMA. Their previous business activities tended to be linked to the financial market and mainly consisted of the provision of crowdfunding services as defined in the Austrian Alternative Financing Act (AltFG; *Alternativfinanzierungsgesetz*).

The scope of authorisation of the three companies covers the securities sector in general and the placement of transferable securities without a fixed underwriting obligation, as well as the acceptance and transmission of orders relating specifically to transferable securities. One company is also authorised to arrange the brokerage of loans, without authorisation for the individual management of loan portfolios. In addition to arranging loans, the companies offer equity instruments (such as shares), hybrid financial instruments (such as convertible bonds) and debt instruments (such as bonds), depending on the financing requirements of the project owners. The target markets (on the owner and investor side) of all platforms are Austria and other EU Member States. The sectors to which financial resources are to be channelled are diverse. With the exception of one platform that intends to establish itself as a platform solely for real estate, the sectors include hospitality, hotels, mobility, food supplements and sustainability.

The payment services required in connection with crowdfunding services are not provided by the authorised crowdfunding service providers themselves as part of a further authorisation, but by cooperation partners who are authorised as payment service providers in accordance with Directive (EU) 2015/36.

REPORTING AND PUBLICATIONS

Reporting on the business development of Austrian and European crowdfunding service providers will only be possible in the next annual report. In accordance with the ECSPR, the supervised entities are subject to detailed reporting obligations on their crowdfunding services. These obligations must be fulfilled annually at the end of February in retrospect for the previous financial year, to the FMA in the case of Austrian entities.

Accordingly, the reporting obligations will become effective for the first time in 2024 in respect of the 2023 financial year. In addition to information on project owners and investors, the reports must include extensive information on the individual crowdfunding projects that were financed using the crowdfunding platform. Once these reports have been received by the FMA, they must be forwarded in anonymised format to the European Securities and Markets Authority (ESMA), which is then required to compile aggregated annual statistics on the crowdfunding market in the EU and publish them on its website.

FINANCIAL CONGLOMERATES

Directive 2002/87/EC, the Financial Conglomerates Directive, imposes supplementary supervision on any group comprised of full or pro rata holdings in companies from different financial sectors (insurance undertakings, banks, investment service providers) and that has some relevance to the stability of the financial market. The financial statements for 2022 identified a total of 82 financial conglomerates in Europe as defined in the Directive, two of which had their registered office in Austria and were therefore subject to direct supervision by the FMA.

- Wüstenrot Group with its three significant institutions Bausparkasse Wüstenrot AG, Wüstenrot Versicherungs-AG and Wüstenrot Bank
- Grazer Wechselseitige Versicherung AG with the Hypo-Bank Burgenland AG banking group (whose member companies include Hypo-Bank Burgenland AG, Sopron Bank Burgenland ZRt. and Schelhammer Capital Bank).

The FMA regularly assesses the risk situation and performance of these conglomerates, requiring the groups concerned to report certain data and key figures on a regular basis. In addition to this ongoing analysis of data, the FMA also carries out specific on-site inspections. The focus of such inspections is on group structure, group strategy, and financial position, as well as organisation, risk management and internal control systems at the conglomerate level.

INTERNATIONAL COOPERATION

The Austrian financial market and its providers are very strongly linked to their international and European counterparts, both legally and economically. Consequently, as the integrated supervisory authority for the Austrian financial market, the FMA has a number of European and international responsibilities within its remit. At European level, the FMA is involved in developing the regulation of the European financial markets as a participant in the European System of Financial Supervision (ESFS). It is also directly involved in the European supervision and resolution of credit institutions within the framework of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) in the wider context of the Banking Union. FMA experts play an active role on many relevant committees and working groups. It has also signed bilateral and multilateral Memoranda of Understanding (MoU) on cooperation with foreign and international supervisory authorities and organisations.

EUROPEAN COOPERATION

THE FMA WITHIN 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 that share the euro as their common currency. 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). This form of close cooperation was established with Bulgaria and Croatia on 1 October 2020. On 1 January 2023, Croatia joined the euro area and thus became part of the Banking Union.

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

- The Single Supervisory Mechanism (SSM), which is the joint banking supervision system overseen by the ECB in Frankfurt and relies on the network of national banking supervision 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 has not yet been realised. 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 Banking Union. In its capacity as national competent authority (NCA) and national resolution authority (NRA), the FMA represents the Austrian financial market and is actively involved at all relevant levels within the SSM and the SRM.

Across both the SSM and SRM, the FMA was represented in more than 70 bodies and working groups during the year under review, with FMA employees contributing to the development of joint policies and supervisory approaches. The decision-making bodies were also involved in approximately 1 124 supervisory cases and approximately 90 resolution cases. Specific operational activities of the FMA within the SSM and the SRM are included in the relevant chapters of this report.

THE FMA WITHIN THE SSM

Six Austrian banking groups were classed as significant institutions (SIs) within the SSM in 2023. 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, CA Auto Bank GmbH, Raiffeisen Bank International AG, Raiffeisenlandesbank Oberösterreich AG, Santander Consumer Bank GmbH, 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. As at 31 December 2023, 329 Austrian credit institutions classed as LSIs were subject to direct supervision by the FMA.

In the 2023 reporting year, the capital requirements in the SSM were left unchanged as the banks had solid capital and liquidity positions and were able to demonstrate higher profitability. This had been shown by the results of the Supervisory Review and Evaluation Process (SREP) in the previous year. The Chair of the ECB Supervisory Board also confirmed the resilience of European banks despite the turmoil on the international financial markets. An independent expert advisory group, which was tasked with reviewing the SREP processes, noted in its subsequent report that the ECB has established itself as an effective and respected supervisory authority from 2014 onwards. However, the group of high-level experts also recommended enhancing risk-based prioritisation and a focus on qualitative measures tackling weak business models and governance. New EBA rules on the disclosure of climate and environmental risks entered into force at the end of June. The ECB stated in a report that the reporting practices of banks had improved, but that the quality of the information was still too low. It published examples of good practice and warned that non-compliance with the new reporting standards would constitute a breach of the law and result in supervisory measures. It has been confirmed that the thematic stress test in 2024 will be dedicated to cyber resilience. This will test the ability of banks to defend themselves against cyber attacks or to recover from this type of attack, should it be successful. With the expiry of the five-year term of office of Andrea Enria, Claudia Buch was appointed as the new Chair of the ECB Supervisory Board with effect from 1 January 2024.

THE FMA WITHIN THE SRM

In 2023 there were six Austrian banking groups and three Austrian subsidiary banks, 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, CA Auto Bank GmbH, Raiffeisen Bank International AG, Raiffeisenlandesbank Oberösterreich AG, Santander Consumer Bank GmbH, UniCredit Bank Austria and Volksbank Wien AG. In the same vein as the JSTs, Internal Resolution Teams (IRTs) are set up for the above banking groups, 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 (NRA).

In January 2023, Dominique Laboureix took over as SRB Chair from Elke König, and in March Tuija Taos replaced SRB Board Member Bostjan Jazbec. When Dominique Laboureix took office, the SRB initiated a strategic review (SRM: Vision 2028) to define its long-term goals, further improve collaboration with the NRAs and strengthen the SRM. For the first time, the SRB published a report on resolution planning and crisis management for LSIs, as well as operational guidelines on liquidity and funding in resolution. In 2023 the Single Resolution Fund (SRF) reached its target amount of 1% of covered deposits in the euro area. The SRB and the ECB signed an MoU on the exchange of certain confidential statistical data (with the aim of improving analysis in connection with the resolution of banks) and revised their existing MoU (with the aim of improved collaboration). The SRB also concluded MoUs with Australia, New Zealand, Argentina and Malaysia. To contribute to the development of a responsible investment framework for the SRF, the SRB joined the Network for Greening the Financial System (NGFS) in the capacity of an observer. Finally, on 14 December 2023, the SRB launched a public consultation to gather the views of industry and other stakeholders on the further development of the SRB MREL Policy.

THE FMA WITHIN THE ESFS

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). 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 is a member of all three European authorities, actively contributing to their work in its capacity as Austria's national competent authority (NCA). The role of the ESAs is to prepare detailed regulations in the

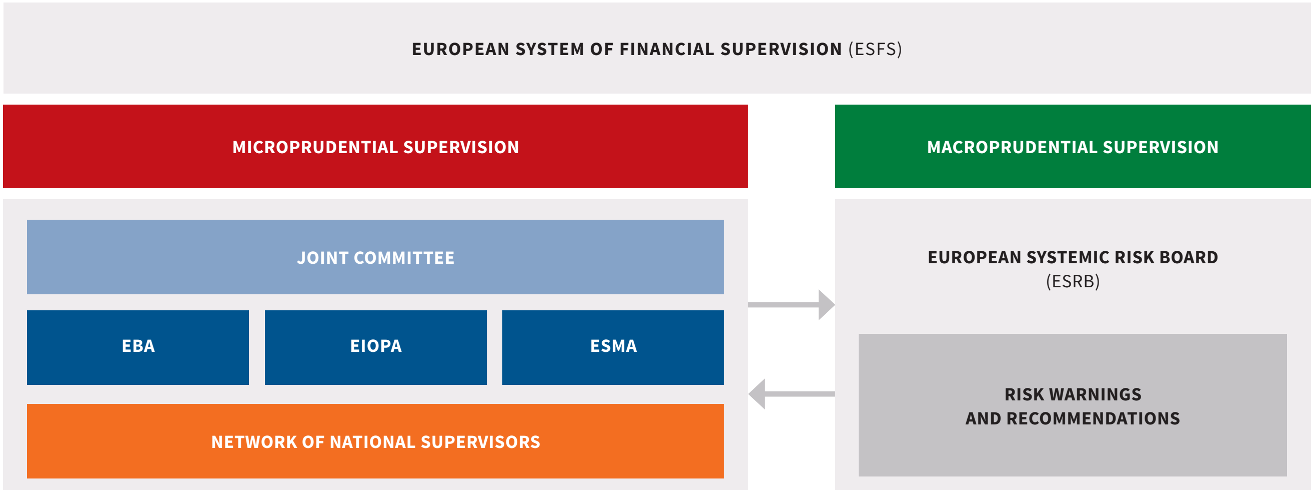


Figure 3: *European System of Financial Supervision*

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. To date, ESMA has only had a direct supervisory role vis-à-vis companies, in a few 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 COMMITTEE AND ESA COOPERATION ACROSS SECTORS

The three ESAs cooperate closely across markets and sectors, particularly in the form of the Joint Committee, working to ensure a level playing field, i.e. fair competition beyond market and product boundaries, and also striving to exploit synergy potential and make regulation efficient and effective. Significant cross-sector work has been carried out on the following three topics:

- **Independence of supervision**
  On 25 October 2023, the three ESAs published their joint criteria on the independence of supervisory authorities. The independence of supervisory authorities is central to ensuring that fair, effective and transparent decisions are taken by adequately resourced supervisory authorities. The criteria are based on four key principles: operational, personal and financial independence, as well as transparency and accountability.
- **The Digital Operational Resilience Act**
  The Digital Operational Resilience Act (DORA) entered into force on 16 January 2023. The first package of regulatory requirements as part of the DORA was consulted on in the reporting year. The package includes regulatory technical standards (RTS) and implementing technical standards (ITS), which aim to ensure a coherent and harmonised legal framework in the areas of ICT risk management (information and communication technology), the reporting of major ICT-related incidents and ICT third-party risk monitoring. The second package was the subject of consultation in the reporting year and includes RTS and ITS on content, timelines and templates for the register of information, Guidelines on aggregated

annual costs and losses caused by major ICT-related incidents, RTS on subcontracting ICT services supporting critical or important functions, RTS on the harmonisation of supervision, Guidelines on the oversight cooperation between the ESAs and the competent authorities and RTS on threat-led penetration tests (TLPT).

- **Sustainable finance**
  In 2023, at the request of the European Commission, the Joint Committee developed a draft RTS on the review of principal adverse impacts (PAI) and financial product disclosures under the Sustainable Finance Disclosure Regulation (SFDR), and submitted it to the European Commission. The Joint Committee also initiated a joint opinion on the assessment of the SFDR. This was in response to the Commission's public consultation on sustainability-related disclosures in the financial services sector launched in September 2023.

EUROPEAN BANKING AUTHORITY – EBA

In the 2023 reporting year, a report on diversity practices and gender pay gaps in management bodies and a large number of Level 2 and 3 mandates in accordance with DORA and the Markets in Crypto-Assets Regulation (MiCAR), as well as Guidelines on risk-based anti-money laundering and countering the financing of terrorism supervision were published for consultation. On 28 July 2023, the EBA published the results of an ad hoc analysis of unrealised losses on debt securities held at amortised cost in EU banks, as well as the results of its 2023 EU-wide stress test involving 70 banks from 16 EU and EEA countries and covering 75% of the assets in the EU banking sector.

FMA Executive Director Helmut Ettl was appointed Deputy Chair of the EBA on 10 July 2023.

With regard anti-money laundering and countering the financing of terrorism (AML/CFT), the FMA was reviewed in 2023 as part of the AML implementation reviews conducted by the EBA in relation to the effective implementation of the requirements of the EU Anti-Money Laundering Directive and the ESAs' AML/CFT guidelines derived from it. The EBA review focused on risk-based supervision, in particular how the FMA analyses the AML/CFT risks facing banks and how the findings from risk analysis are incorporated into operational supervision. The on-site visit took place in March 2023 and the final report was submitted to the FMA in October 2023. The FMA achieved a positive result overall, but also received some constructive findings and recommendations for the further development and improvement of its supervisory regime, for example with regard to the sectoral risk analysis of the banking sector.

EUROPEAN SECURITIES AND MARKETS AUTHORITY – ESMA

ESMA's activities in the reporting year focused on crypto assets, sustainability in the financial sector and digitalisation.

In the area of crypto assets, ESMA published two consultation packages on the Markets in Crypto-Assets Regulation (MiCAR). The key areas covered by these packages include the authorisation of Crypto Asset Service Providers (CASPs) and their handling of conflicts of interest, the disclosure of inside information, transparency measures for trading and record-keeping requirements. A third consultation package will be published in the first quarter of 2024. The draft RTS will be submitted to the European Commission by 30 June 2024.

ESMA's contributions to sustainability in the financial sector are set out in the Sustainable Finance Roadmap. The Progress Report on Greenwashing was published in May.

In July, ESMA and the national supervisory authorities launched a joint supervisory action to assess disclosure and sustainability risks in the investment fund sector.
In order to take account of the importance of digitalisation, cyber risks and digital resilience have been named as a new strategic supervisory priority for the European Union.

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY – EIOPA

In the area of digital transformation, EIOPA pushed ahead with its activities to prepare for the implementation of the Digital Operational Resilience Act (DORA), the European Single Access Point (ESAP) and the Artificial Intelligence Act (AI Act). EIOPA also focused on the regulatory and supervisory challenges encountered on the path to more sustainability. A draft statement on sustainability requirements and greenwashing was published for consultation. In terms of policy, work focused on the Solvency II Review, the review of the Insurance Distribution Directive (IDD) and the PRIIPs Regulation. The discussion on the integration of sustainability risks in prudential considerations was also continued. EIOPA also published a new comparative study on the modelling of market and credit risk, a study on diversification in the internal models used by insurers, a report on the activities of the colleges of supervisors and the planning of a first joint mystery shopping exercise.
In relation to the supervision of occupational pension schemes, EIOPA delivered draft advice to the Commission on the IORPs II Review. EIOPA's newly introduced IORP Risk Dashboard shows market and asset return risks to be the main concerns for occupational pension funds. Also during the year under review, an Eastern Cooperation Conference organised by EIOPA with the support of the FMA brought together representatives of the supervisory authorities of the candidate countries and EU countries to discuss current supervisory priorities and challenges.

EUROPEAN SYSTEMIC RISK BOARD – ESRB

In the 2023 reporting year, the ESRB dealt with a wide range of subjects relevant to risk: current inflationary developments, decentralised financing activities and crypto assets, developments in the real estate markets, as well as climate change and cybercrime. Other items on the agenda included systemic liquidity risks and the monitoring and, if necessary, regulation of non-bank financial intermediaries (particularly investment funds). The ESRB extended its work on the systemic importance of trade credit insurers and central counterparties, and evaluated the effectiveness and revision of the macroprudential framework. On this basis, it issued a series of recommendations to all Member States and the European Commission in January 2023 on commercial real estate financing.

BILATERAL AND MULTILATERAL COOPERATION

As well as working in international 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 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 2023 the FMA signed an MoU with the Albanian Financial Supervisory Authority (AFSA) on the supervision of funds.

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS – IOSCO

IOSCO, the global standard setter for securities regulators, published Recommendations for Crypto and Digital Asset Markets in November. These 18 recommendations mark the first step in addressing the significant investor protection and market integrity risks in global markets and through their providers, which generally operate on a cross-border basis.

FSB REGIONAL CONSULTATIVE GROUP FOR EUROPE – RCG EUROPE

As a non-member of the Financial Stability Board (FSB), the FMA is represented in its Regional Consultative Group (RCG) for Europe. The group meets every six months to discuss current FSB topics and obtain regional input from non-members. In 2023 one of the areas focused on by the RCG was the lessons learned when banks had failed in the past. The FSB published a report on this area, in which the impact on the functioning of the international resolution framework is assessed. Other key topics included greater convergence in global cyber incident reporting and recommendations regarding the regulation and supervision of crypto assets.

	Banking	Insurance	Securities	AIFMD MoU
Abu Dhabi				2018
Albania		2009		**2023**
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		2009/2022		
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 12: *Bilateral Memoranda of Understanding concluded (incl. year of conclusion)*

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS – IAIS

One of the main areas focused on by the IAIS in 2023 was climate change. This involved developing guidance for the supervision of climate risk and insurance gaps associated with natural disasters. An IAIS report sets out the significance of the uninsured portion of economic losses caused by natural catastrophes for insurance supervisory authorities and presents a range of possible supervisory measures to improve the affordability, availability and utilisation of insurance cover against NatCat events. The IAIS also published an Issues Paper on roles and functioning of policyholder protection schemes (PPSs). The paper provides an up-to-date overview of PPS practices worldwide and describes their role in settlement of insurance claims.

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS – IOPS

The IOPS worked on several topics in 2023, including a revision of the IOPS Principles of Private Pension Supervision, the supervision of pension investments and the use of digitalisation to potentially increase the efficiency of supervision as a whole. The draft implementation note on ESG factors was discussed, the aim of which is to compile practical application examples for the IOPS Supervisory guidelines on the integration of ESG factors in the investment and risk management of pension funds published in 2019. The draft comprises six guidelines dealing with investment and risk management. The results of a survey on liquidity risks for pension funds related to margin calls were also published.

BASEL CONSULTATIVE GROUP – BCG

The BCG provides a forum for the Basel Committee on Banking Supervision's (BCBS) engagement with supervisors, central banks and international institutions from 44 countries, also strengthening supervisory dialogue with non-member countries. The main issues covered in 2023 were the effects of the recent banking crises (Report on the 2023 banking turmoil), the disclosure of climate-related financial risks, the revision of the Basel core principles, digitalisation in the financial sector and the treatment of crypto assets. A SupTech workshop was held at the beginning of June.

NETWORK FOR GREENING THE FINANCIAL SYSTEM – NGFS

The FMA has been a member of the NGFS since 2020. It provides supervisory authorities and central banks with a platform for exchanging knowledge and experience and developing environmental and climate risk management methods for the financial sector. In autumn 2022, the NGFS had 129 members and 21 observers worldwide (for example, the SRB joined as an observer in 2023). It currently has four workstreams and two task forces. The FMA is particularly heavily involved in the Workstream on Supervision and in the Experts' Network on Legal Issues. In 2023 the NGFS published two complementary reports on climate-related risks in legal disputes, the fourth edition of its long-term macrofinancial climate scenarios for the assessment of climate risks and conceptual notes on short-term climate scenarios, a conceptual framework for nature-related financial risks and several technical documents, including with recommendations for the development of nature-related scenarios.

AML/CFT COOPERATION ON THE FINANCIAL MARKET AND FINANCIAL ACTION TASK FORCE – FATF

An important aspect of European cooperation in AML/CFT is the AML Colleges, in which the FMA exchanges and coordinates information on companies operating across borders with its partner authorities in Europe. To this end, the FMA organised a high-level AML College conference for partner authorities from EU and third countries in September 2023. The FMA's initiative was very well received by the partner authorities, with those attending in favour of continuing the format.

In February 2023, the FATF decided on the order of its country evaluations for what is now the fifth evaluation round. Austria will be one of the first member states to be assessed in 2025 for the effectiveness of its measures to prevent money laundering, terrorist financing and proliferation financing. Also in February 2023, the FATF decided to suspend Russia's membership, condemned Russia's actions as illegal, unprovoked and unjustified, and called on Russia to recognise UN General Assembly Resolution ES-11/1 on the immediate, complete and unconditional withdrawal from Ukraine.

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, 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 are also subject to reporting and notification obligations. This applies to the statutory auditor or, in the case of banks, the state commissioner, who is appointed by the Federal Minister of Finance and must be invited by the credit institution to general meetings, and to the meetings of the supervisory board, the audit committees and the executive committees of the supervisory board. Furthermore, the supervisory authority will request additional information on specific topics, both from individual institutions and from the sector as a whole (such as details of their exposure to specific regional markets or products).

The supervisor thoroughly analyses this broad and deep pool of information, identifying trends and risks at both sector and individual institution level. The depth and frequency of the reporting system and special analysis work are based on the principle of proportionality, with supervisory activities having to be risk-based.

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 types of analysis such as stress tests.

Data collection and analysis, as well as on-site inspections, are carried out by the Oesterreichische Nationalbank (OeNB) and the European Central Bank (ECB) in the area of banking supervision. In the case of less significant institutions (LSIs), the FMA is generally responsible for conducting official proceedings, up until legal enforcement, with the ECB simply overseeing such proceedings. Significant institutions (SIs) are supervised by the ECB directly.

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 a tool for the in-depth analysis of a bank's overall risk situation. For optimal results, the FMA and OeNB regularly update and adapt the SREP in line with the latest regulatory developments.

The full SREP procedure is carried out at banks every year, every two years or every three years based on the principle of proportionality, i.e. depending on the size, structure, nature, scope and complexity of the respective bank's business model. During the years without a full procedure, the SREP is only updated. 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 issuing the SREP administrative decision, adding a legally binding aspect to the analysis results. In addition, the previously established practice of conducting governance workshops with selected supervised companies was continued in 2023.

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

INSURANCE UNDERTAKINGS

The analysis work in relation to insurance undertakings and insurance groups as part of the SREP covered ongoing financial and risk analysis (primarily using quantitative reporting data), as well as dedicated specific analysis and numerous management talks on companies' strategies in order to be able to make risk-sensitive classifications based on this background information. Specific analyses were dedicated to topics such as the cover pool reserve *(Deckungsstock)* and the liquidity situation at insurance undertakings, which had become an issue due to the steady increase in interest rates during the first three quarters of 2023. Another focus was on analysing premium adjustments/indexations to ensure risk-based pricing and consequently the financial soundness of insurers' core business.

Sensitivity analysis of solvency data for changes in market risk factors, which has been an established part of analysis work for many years, was expanded in 2023 to include reverse stress testing. This helps supervisors to understand and check the plausibility of reported solvency data as well as the sensitivity of insurance undertakings.

Specific/cross-sectional analyses were also advanced in 2023, with new components being added for the analysis of reports and governance issues in particular.

PENSIONSKASSEN

Financial and risk analysis work within the scope of the SREP focused on quantitative reporting data, as well as on extensive reports on activities and reports by the auditing actuary on each investment and risk-sharing group, as well as reports by the state commissioners, who attend the meetings of pension company bodies. The own risk assessments (ORAs), which *Pensionskassen* are required to draw up every three years, were also analysed in depth and discussed with the companies. The FMA's work around its IT priority was largely completed in the reporting year. Lastly, the transition to a more sustainable financial sector was another big issue for *Pensionskassen,* with an abundance of EU regulations having to be considered, and progress being regularly checked.

ASSET MANAGERS AND CORPORATE PROVISION FUNDS

In 2023 the FMA analysed 31 annual financial statements prepared by licensed asset managers and corporate provision funds, along with nine audit reports from branches of foreign asset management companies as part of its ongoing analysis work. Additionally, it processed and analysed 1 684 randomly selected annual and half-yearly reports produced by funds. As part of its supervisory priority of digitalisation, the FMA evaluated the IT infrastructure and new technologies used in asset management, discussing this with the respective companies in management talks.

It also implemented preparatory measures for the Digital Operational Resilience Act. DORA is intended to strengthen the resilience of the European financial market against cyber attacks, thereby establishing a high level of protection for investors and consumers within the European Union. To this end, the FMA collected and analysed information about the IT service providers used in Europe and Austria. 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 incorporated into the appraisals.

INVESTMENT SERVICE PROVIDERS

Directive (EU) 2019/2034 on the prudential supervision of investment firms, the Investment Firms Directive (IFD), was transposed into Austrian law with effect from 1 February 2023.[1] Regulation (EU) 2019/2033 on the prudential requirements of investment firms, the Investments Firms Regulation (IFR), also became effective in Austria with the adoption of the Investment Firms Act (WPFG; *Wertpapierfirmengesetz*)[2]. These rules created a new prudential supervisory regime for MiFID[3] investment firms in Austria, which is a new, independent reporting system based on the CRR[4] system for banks. With this new reporting regime in place, the FMA assessed and analysed significant key figures, data and facts from 65 investment firms and 15 groups of investment firms in 2023. The implementation of another supervisory tool, the supervisory review and evaluation process (SREP), was launched in 2023.

---

1 *Federal Law Gazette I No. 237/2022.*

2 *Federal Law Gazette I No. 237/2022.*

3 *Markets in Financial Instruments Directive: 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.*

4 *Capital Requirements Regulation: Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.*

BENCHMARKS

In 2023 the FMA carried out a risk-based analysis of benchmark rules for users of benchmarks. This included monitoring compliance with legal requirements in relation to contingency plans, customer communication and index providers used at a randomly selected group of credit institutions and asset managers, as well as in relation to a number of UCITS[5] and KMG[6] prospectuses. The benchmarks used in loan agreements were subject to detailed analysis by means of data collection at a representative sample of banks. In addition, the derivative exposure of credit institutions was analysed in terms of the benchmarks used, based on evaluations from the derivative reports. Finally, the Austrian panel bank's input data to EURIBOR[7] was closely examined.

STRESS TESTING

BANKS

In 2023 the European Banking Authority (EBA) again conducted EU-wide stress tests, an exercise undertaken every other year. To this end, the EBA screened 70 large EU banks, two of which from Austria. At the same time, the European Central Bank (ECB) tested another 41 large banks, four of which from Austria, within the Single Supervisory Mechanism (SSM) in a similarly designed stress test exercise.

The underlying hypothetical stress scenario was a severe crisis: in an environment of high inflation and steadily rising interest rates, a huge slump in economic growth was assumed, combined with growing unemployment and falling real estate prices.

The results for the Austrian banks confirm their resilience: in what was a significantly more adverse stress test scenario than in 2021, Austrian banks' strong earnings situation and solid capital position at the start of the exercise placed them mid-table in the European rankings for stressed capital ratios.

In addition to the stress test, a supervisory analysis of the effects of rising interest rates on the valuation of fixed-interest bonds in banks' portfolios was also carried out. The results of this analysis showed that the risk arising from these unrealised losses at Austrian and European banks was low thanks to the rules on adequate capital and liquidity levels, which are much stricter than in the USA.

INSURANCE UNDERTAKINGS AND *PENSIONSKASSEN*

The European Insurance and Occupational Pensions Authority (EIOPA) carried out a climate stress test for the European occupational pension sector, meaning multi-employer *Pensionskassen* in Austria, together with national competent authorities. The FMA expanded the exercise to include single-employer *Pensionskassen* and all 33 Austrian insurance undertakings that fall under the supervisory Solvency II regime. The stress test scenario assumed a sharp rise in CO_2 prices by 31 December 2021, leading to yield shocks for sovereign and corporate bonds, as well as changes in the value of equities and real estate. The results were communicated in great detail to each

---

[5] *Prospectuses pursuant to Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS Directive).*

[6] *Prospectuses pursuant to the Federal act on the public offering of securities and other capital investments (KMG 2019;* Kapitalmarktgesetz*).*

[7] *EURIBOR stands for euro interbank offered rate and is the globally leading benchmark rate for unsecured euro interbank term deposits.*

WHISTLEBLOWING

Whistleblower reports are an important source of information for supervisors. They can help to tackle poor practice in supervised companies and to limit any damage, if not prevent it altogether. Whistleblowers are people who have encountered misconduct or irregularities during their current or past professional activities and do not keep silent about it, instead actively sharing what they know with the responsible individuals or institutions. Sometimes, whistleblowers are not taken seriously in the company where they work or would be worried about suffering serious personal disadvantages if they were to talk openly to management or the supervisory bodies. To ensure that this information, which is highly valuable for supervision, is not lost, the FMA offers potential whistleblowers their own information channel through which they can securely submit their reports and information to the supervisory authority.
The FMA's web-based system guarantees whistleblowers absolute technological anonymity, thereby affording them as much protection as possible from any retaliatory action. Even in the case of criminal investigations, whistleblowers are not required to reveal their identity or other data that results in their identity being revealed. The tool can also be used for completely anonymous communication. Whistleblowers can set up their own protected mailbox in this whistleblowing system, through which they can then talk to the FMA directly. Whistleblowers who are brave enough to report illegal actions should not have to risk damage to their own reputation or the loss of their job in order to share their information.

REPORTS AND OUTCOMES

In 2023 the FMA received 432 reports from whistleblowers, around half of which (213) actually fell within the FMA's supervisory remit *(> Chart 30)*. Out of the 213 relevant reports, 60 related to banking supervision and a further 60 to securities supervision (18 of which concerned markets and exchanges supervision). A further 15 reports centred on insurance and pension supervision and there were nine reports regarding anti-money laundering and countering the financing of terrorism (> Chart 31). Information that does not fall within the supervisory competence of the FMA, but that gives rise to a suspicion of an offence that falls within the supervisory competence of another authority – particularly the criminal investigation and prosecution authorities – is duly forwarded to the relevant entity. The FMA also uses this information to warn investors as early as possible about fraudulent or other criminal offences, especially new or current fraud schemes, on the financial markets. In this way, the FMA can also help inexperienced retail investors in particular to recognise dubious offers more easily and raise their awareness of the risks inherent in the financial markets in general.
In total, 67 reports of suspected investment fraud were submitted during the reporting year. The FMA forwarded these to the public prosecutor's office as well as carrying out its own supervisory investigations. The rise in the number of authority scams in 2023 was particularly striking, as investment fraudsters played on the "security" aspect of financial transactions. Fraudsters pretend to be working for a public authority in order to gain the trust of their victims and subsequently steal their money.
In 80 cases relating to its own area of supervision, the FMA took further supervisory measures, such as on-site inspections, management talks, fit and proper tests and reviews of key functions, and issued penal decisions. In addition, the FMA submitted a further 15 relevant reports to the criminal prosecution authorities as a result of such investigations.

Chart 30: *Number of whistleblower reports 2019–2023*

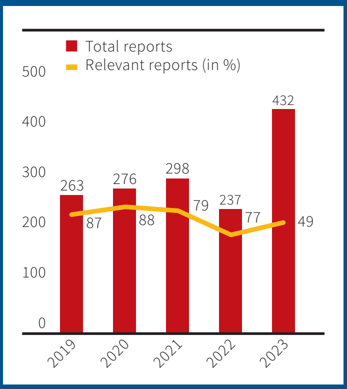
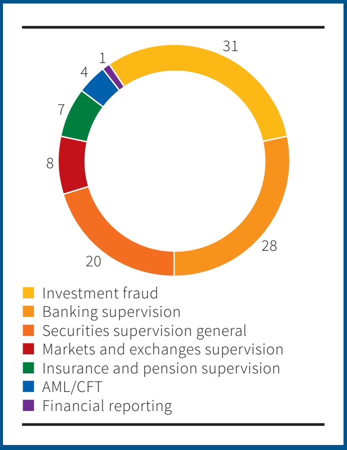


Chart 31: *Whistleblower reports by area of supervision (in %)*



individual company, comparisons with the market explained and the relevant conclusions discussed.

INVESTMENT FUNDS

To analyse the resilience of the supervised companies, the FMA conducted risk-based stress tests in the Austrian fund market in 2023. The aim was to obtain additional information for the risk analysis of investment fund management companies so that supervisors can recognise sensitivities and vulnerabilities better and earlier. Based on the interest rate situation in 2023, the impact of an interest rate shock was assessed. Other random stress tests focused on climate scenarios. The institution-specific results of these stress tests will be addressed as part of continued supervision in 2024 and the related risk potential discussed.

CORPORATE PROVISION FUNDS

To monitor corporate provision funds' risk situation, the FMA carried out risk-based stress testing. It used future developments under stress scenarios to identify sensitivities, particularly in relation to the provision for the capital guarantee, but also in relation to own funds and liquid funds. The aim of these stress tests is to better recognise sensitivities and vulnerabilities, and to identify potential problem areas at individual corporate provision funds or in the sector as a whole early on. This included both asset-side (performance losses) and liability-side (worsening of the labour market situation) stress scenarios for the next five years.

FINANCIAL MARKET INFRASTRUCTURES

In May 2023, the European Securities and Markets Authority (ESMA) launched its fifth EU-wide stress test exercise for central counterparties to test the resilience of CCPs to adverse market developments, identify possible weaknesses in CCPs' resilience and make recommendations, where necessary. The components included in the stress test framework were credit stress, concentration risk, liquidity stress and, for the first time, climate risk. Sixteen CCPs were included in the exercise: 14 CCPs authorised in the EU and two UK CCPs classified as Tier 2; the Austrian Central Counterparty Austria (CCP.A) was also one of the sixteen. The FMA validated the CCP.A data and subsequently submitted it to ESMA. The results are scheduled to be published in mid-2024.

ON-SITE MEASURES

On-site measures are an important tool for supervision – and used both to glean information and to check whether supervisory measures imposed by the FMA have been implemented by the companies concerned and whether the relevant legal requirements are being met. They include both more comprehensive on-site inspections and less extensive, more flexible examinations, complementing the FMA's ongoing analysis work, which mainly draws on reporting data, annual reports and other regularly available data or information requested on an ad hoc 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 (together with the OeNB in the area of banking supervision) prepares an inspection

	2019	2020	2021	2022	2023
Banks:					
Small and regional banks	39	14	15	12	18
Significant institutions	13	10	10	10	16
Conduct and sales	36	24	31	31	31
Insurance undertakings	28	22	27	28	25
Asset managers:					
(Real-estate) investment fund management companies and AIFMs	8	6	10	7	12
Custodian banks, depositaries	5	0	2	3	2
Portfolio management at investment firms and banks	11	11	8	6	8
Investment service providers	41	35	34	36	35
Pensionskassen	2	2	2	2	3
Corporate provision funds	2	2	2	5	3
Market infrastructures	3	2	3	4	3
Prevention of money laundering and terrorist financing	67	48	48	49	42
Benchmark administrators	–	1	2	1	0

Table 13: *On-site measures 2019–2023*

plan for the coming year. In addition to these annual inspection plans, on-site measures are also carried out as required during the year to follow up on incidents or information relevant to supervision without delay 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 with regard to two market infrastructure companies, the FMA commissions its long-established supervision partner, the OeNB, to carry out the inspections. With regard to significant institutions for which the European Central Bank bears direct supervisory responsibility in the context of the SSM, inspections are carried out directly by the ECB with the involvement of national supervisors.

In line with the priorities for supervision and inspections for 2023, the FMA focused in particular on resilience and stability, sustainability, the digital transformation and new business models. Further priorities were preserving Austria's position as a clean financial centre and advancing collective consumer protection.

One particular priority was information and communication technology security. The ICT checks carried out at banks and non-CRR institutions focused on cyber and ICT security risks, as well as ICT outsourcing risks, with a particular focus on adherence to the EBA Guidelines on ICT and security risk management.

In 2023 the FMA began a detailed evaluation of ICT governance at institutions in the form of dedicated deep dives.

BANKS

The 27 inspection mandates that the FMA gave to the OeNB in 2023 prioritised the issues of credit risk management, the internal capital adequacy assessment process (ICAAP), interest rate risk in the banking book, liquidity and refinancing risk, internal governance, as well as organisation and internal control systems. The FMA itself carried out on-site inspections to check compliance with the statutory conduct rules in relation to the provision of banking and investment services, the distribution of financial instruments and the arrangement of insurance. A total of 31 on-site inspections were carried out during the year under review.

INSURANCE UNDERTAKINGS

In the insurance sector, 25 on-site activities were carried out in 2023. The inspections centred around two areas: IT security, as well as distribution in accordance with the Insurance Distribution Directive (IDD) and the product approval process pursuant to product oversight and governance (POG) requirements. Internal models were also a focus of on-site inspection activities. There had been a few major model changes, and assistance was provided to further develop some models that were not yet ready for approval. This ensured that small mutual associations were also well covered by inspection activities.

PENSIONSKASSEN

Three of the eight *Pensionskassen* were inspected on site in 2023. One inspection focused on IT security, another on investments including related systems and processes, and the third looked at the company's governance in general.

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 priorities of digitalisation and sustainability continued to dominate on-site inspections, specifically IT security and cybersecurity. Naturally, most of the processes involved in asset management are IT-based. The main focus during inspections of the systems and processes was therefore increasing the operational security of all processes within the organisation through a higher degree of automation while at the same time reducing the need for manual tasks. With the increasing number of different IT systems and programs, the demands being made of authorisation management systems are also rising. Given the importance of such systems in preventing the misuse and unauthorised manipulation of data and IT systems, on-site inspections focused particularly strongly on their suitability.

Sustainable finance was another aspect prioritised during on-site inspections. In this context, the FMA reviewed the integration of sustainability risks into risk management processes, looking into how these processes are actually put into practice in terms of a managed portfolio's investment strategy, and also examining whether the applied processes are appropriate.

INVESTMENT SERVICE PROVIDERS

The priority areas during on-site inspections at investment service providers were IT and cyber risks, and the evaluation of service provision (customer acquisition, customer service, PRIIPs-KID[8]). Further priorities were newly licensed companies and a Europe-wide common supervisory action coordinated by the European Securities and Markets Authority (ESMA) relating to marketing communications including advertisements. Additionally, the FMA also directly inspected tied agents and securities brokers, doing so on nine occasions.

FINANCIAL MARKET INFRASTRUCTURES

In accordance with its statutory remit as defined in the European Market Infrastruc-

[8] *Key information documents for packaged retail and insurance-based investment products.*

Table 14: *Management talks 2019–2023*

	2019	2020	2021	2022	2023
Banks	111	150	116	108	157
– Conduct and sales supervision	*19*	*17*	*23*	*12*	*17*
Insurance undertakings	103	150	108	104	92
Asset managers (AIFMs and [real-estate] investment fund management companies)	24	37	17	17	29
Investment service providers (incl. firms)	67	41	51	41	44
Pensionskassen	13	24	11	12	11
Corporate provision funds	8	12	3	4	5
Market infrastructures	1	2	3	1	2
Prevention of money laundering and terrorist financing	10	8	10	8	6
Benchmark administrators	–	1	1	0	1
Crowdfunding service providers	–	1	1	0	1

ture Regulation (EMIR)[9], the FMA conducted the annual inspection at CCP.A, checking complete compliance with all CCP-relevant EMIR rules. Two examinations were also carried out at Wiener Börse AG.

MANAGEMENT TALKS

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

Apart from standardised management talks concerned with the strategic orientation of insurance undertakings and *Pensionskassen*, there were also occasional talks held at a technical level with specific areas in mind, for example ad hoc enquiries on the impact of external factors such as Russia's war of aggression against Ukraine or the surge in inflation. Other focus areas in relation to the analysis of insurance undertakings, insurance groups and *Pensionskassen* were financial statement and budgeting data, risk-based topics surrounding solvency, governance, asset allocation, natural disasters and developments in the reinsurance market, risk management, and environmental, social and governance (ESG) factors. Special emphasis was also placed in the reporting year on regular reviews of companies using internal models. Finally, risk-based talks with the companies' auditing firms to gather additional valuable input for the supervisory review process were a new addition to this area of supervision in 2023.

OFFICIAL PROCESSES

LICENCES AND REGISTRATIONS

The number of licensed and registered companies supervised by the FMA fell in 2023, dropping from 905 to 884. This development is also reflected in the number of licens-

[9] *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.*

Table 15: *Authorisation and registration procedures concluded in 2023*

	New	Change	Extension	Revocation/ Expiry	Withdrawal
Banks	0	0	0	0	0
Payment service providers	0	0	0	0	0
Insurance undertakings	0	0	2	0	0
Asset managers:					
Investment fund management companies	0	0	0	0	0
Licensed AIFMs (incl. real estate investment fund management companies)	0	0	0	0	0
Registered AIFMs	2	0	0	2	0
Investment service providers (incl. firms)	4	0	3	7	0
Crowdfunding service providers	3	0	0	0	0
Pensionskassen	0	0	0	0	0
Corporate provision funds	0	0	0	0	0
Market infrastructures	0	0	0	0	0
Benchmark administrators	0	0	0	0	0
Financial holding companies	0	0	0	0	0
Total	**9**	**0**	**5**	**9**	**0**

ing processes: nine new licences were granted (2022: 13) in the reporting year, alongside nine (2022: 11) relinquished, expired or withdrawn licences) *(> Table 15)*. However, these global figures are not always a good reflection of the varying developments in individual market sectors.

BANKS

In the reporting year the FMA granted no new licences, and also did not extend the scope of any existing licences.

PAYMENT SERVICE PROVIDERS

There were no changes regarding the licences granted to payment service providers.

INSURANCE UNDERTAKINGS AND *PENSIONSKASSEN*

Two licences held by insurance undertakings were extended in the reporting year, but there were no changes to the licences granted in the pension company market.

ASSET MANAGERS

With regard to asset managers, the number of licensed and registered alternative investment fund managers (AFIMs) and investment fund management companies remained stable.

INVESTMENT FIRMS

Changes in the regulatory environment and the opportunities offered by digitalisation for the development of new and differentiated business models resulted in a number of licensing processes during 2023. The FMA granted four licences to investment firms, while seven expired or were revoked.

CROWDFUNDING SERVICE PROVIDERS

The European Crowdfunding Service Providers Regulation (ECSPR)[10] entered into

[10] *Regulation (EU) 2020/1503 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.*

force on 10 November 2021 and created a European regime for the provision of crowdfunding services that sets out common rules for the authorisation, supervision and sanctioning of crowdfunding service providers, for crowdfunding platforms' business operations, and for their organisation and procedures, as well as information and disclosure requirements within the European Union.

Initially, the ECSPR was to have a one-year transitional period up until 10 November 2022, during which existing service providers were able to make adjustments to accommodate the new EU rules and apply to the competent authority for authorisation. The European Commission subsequently extended this transitional period until 10 November 2023. Since then, the provision of crowdfunding services as defined in the ECSPR has only been allowed with the relevant authorisation in accordance with the Regulation. Services provided in Austria that fall within the scope of the Alternative Financing Act (AltFG; *Alternativfinanzierungsgesetz*) remain unaffected by this.

The FMA has been the competent authority for the authorisation and supervision of crowdfunding service providers since 31 December 2021 under the Crowdfunding Enforcement Act *(Schwarmfinanzierung-Vollzugsgesetz)*. In the 2023 reporting year, the FMA authorised three crowdfunding service providers based in Austria pursuant to the ECSPR.

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 2023, seven VASPs submitted registration applications to the FMA, five of which subsequently withdrew their applications again. Six applicants cancelled registrations that had already been granted.

BENCHMARK ADMINISTRATORS

In accordance with the provisions of the Benchmarks Regulation (BMR)[11], all index providers within the EU that provide indices used to set the value of financial instruments, investment funds and consumer loans must register as administrators. Administrators based in Austria must register with the FMA. In the year under review, the FMA supervised one administrator, Wiener Börse AG. The Vienna Stock Exchange notified the FMA of the provision of three new benchmarks in 2023, taking the total number of benchmarks to 135, grouped into 23 families of benchmarks, as at 31 December 2023.

FINANCIAL HOLDING COMPANIES

There were no changes to the licences granted to financial holding companies in the year under review.

---

[11] *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.*

***Table 16:** Fit and proper tests concluded in 2023*

	Management	Supervisory board	Function holders
Small and regional banks (LSIs)	63	254	14
Significant banks (SIs)	17	68	5
– Conduct and sales supervision	*7*	–	–
Payment service providers	–	–	–
Insurance undertakings	24	46	42
Asset managers:			
Investment fund management companies	4	7	3
AIFMs (incl. real estate investment fund management companies)	6	3	4
Registered AIFMs	8	–	–
Custodian banks	1	–	–
Investment service providers (incl. firms)	16	1	6
Pensionskassen	6	0	7
Corporate provision funds	3	6	0
Financial holding companies	0	3	0
Market infrastructures	0	0	0
Total	**155**	**388**	**81**

FIT AND PROPER ASSESSMENTS

The FMA conducted a total of 624 fit and proper assessments in 2023 (2022: 654) in order to evaluate the professional and personal suitability of members of the management and supervisory boards, 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 the implementation of European provisions, the FMA has been entitled since 2021 to directly remove members of the management or 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

***Table 17:** Outsourcing approved and/or notified in 2023*

	2023
Banks	219
Payment service providers	2
Insurance undertakings	20
Asset managers:	
Investment fund management companies	79
AIFMs (incl. real estate investment fund management companies)	265
Custodian banks	0
Pensionskassen	6
Corporate provision funds	1
Market infrastructures	0
Total	**592**

Supervised companies notified the FMA of 592 instances of material operational tasks being outsourced in the reporting year *(> Table 17)*; there had been just 488 such cases in 2022. Outsourcing may be advantageous for companies in many different ways across all areas of the financial market. 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 by asset managers involves them delegating specific tasks for individual funds, such as all asset management, to third parties.

And with the advance of digitalisation, the importance of outsourcing is continuing to grow. Specific corporate processes are increasingly being

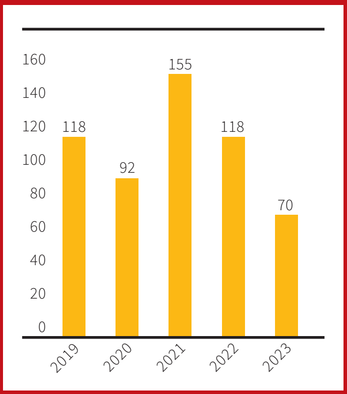
PROMOTING AUSTRIA AS A BASE FOR BUSINESS

The digital revolution is transforming our economy and our society, and as well as risks is creating huge opportunities. The accompanying structural change will significantly shape the future of Austria and its status as a base for business.

The digitalisation of the financial world is advancing particularly rapidly. As a supervisor and regulator, and as the guardian of stability in the financial system, the FMA naturally focuses on the risks associated with new developments. However, it is of course also prepared to view such changes as an opportunity. New products, new services and new markets are being developed, and existing products are being made more efficient and more effective. Meanwhile, our tried-and-tested regulatory framework is also being exploited or even circumvented.

Against this background, the FMA offers advice and support to innovative businesses, start-ups and 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 other blockchain-based business models, and answers any questions about the regulatory framework and supervisory requirements. This is done through the FinTech Point of Contact and also through the Regulatory Sandbox.

Chart 32: *No. of FinTech enquiries 2019–2023*



FINTECH POINT OF CONTACT – THE FMA'S REGULATORY INNOVATION HUB

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 778 of these diverse regulatory questions with its integrated approach, providing the FinTech initiators with the information they need in a service-oriented manner. There were 70 enquiries in 2023 (2022: 118) *(> Chart 32)*.

REGULATORY SANDBOX – THE FMA'S 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. The sandbox can be used to test any kind of financial innovation for which a licence or other authorisation is required from the FMA, preparing for 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.

EUROPEAN CROWDFUNDING SERVICE PROVIDERS IN THE REGULATORY SANDBOX

With the creation of the new regulatory and supervisory regime for pan-European crowdfunding service providers, in the form of the ECSPR[1], five companies wishing to operate as European crowdfunding platform operators in Austria applied to be admitted to the FMA's regulatory sandbox in 2022. As they met the statutory authorisation criteria set out in Article 23a of the FMABG, they were included in the sandbox by administrative decision. They were subsequently closely monitored by the respective FinTech supervisory teams at the FMA. Test parameters, milestones and a timetable were set, and numerous legal issues around the supervisory requirements of the ECSPR were resolved. In 2023 three crowdfunding platform operators were granted licences under the ECSPR. As there is no lowering of supervisory standards in the sandbox, the participants were allowed to operate their business models under the ECSPR for the first time following authorisation and were subject to ongoing supervision. Two participants withdrew from the sandbox of their own accord.

>

[1] *Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.*

The services of the ECSPR relate to the primary market, i.e. the initial issue or sale of stakes in projects to investors via a platform. The crowdfunders participating in the sandbox generally target their platforms at retail investors and are active in the loan brokerage and/or securities business in relation to transferable securities (within the permitted framework of the ECSPR), e.g. shares, bonds or hybrid forms.

The sandbox procedures proved to be extremely positive for both the supervisory authority and the participants. Firstly, the FMA was able to gain an insight into the business models and risk profiles of the crowdfunding platforms. At the same time, the sandbox offered participants the opportunity to have their business models closely scrutinised by the supervisor and to take them as far as regulatory market maturity.

The sandbox procedure has proven to be an effective and cooperative approach to the introduction and implementation of new supervisory rules and the regulatory development of innovative business models. It thus makes an important contribution to promoting the innovative strength of the capital market and the growth of the financial sector in Austria.

EUROPEAN COOPERATION

The FinTech Contact Point and Regulatory Sandbox teams also represent the FMA in the European Forum for Innovation Facilitators (EFIF), which offers national supervisory authorities a European platform for exchanging experiences on technological and legal issues and the regulatory treatment of innovative products.

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. Credit institutions 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 their banking business and operations (Pillar 2). This additional capital requirement is determined in the supervisory review and evaluation process (SREP). The FMA sets the additional capital requirements 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 323 SREP decisions in relation to LSIs in the reporting year (2022: 346), with the ECB making six decisions in relation to SIs (2022: 6) *(> Table 18)*.

Table 18: *SREP decisions 2019–2023*

	2019	2020	2021	2022	2023
SREP decisions LSIs	397	349	331	346	323
SREP decisions SIs	6	7	7	6	6

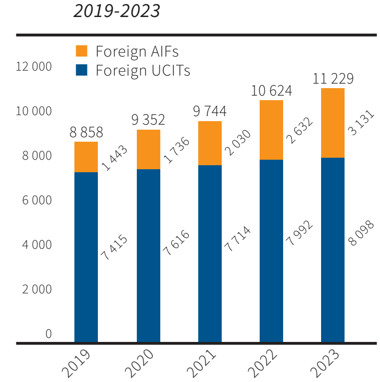
Table 19: *Approval of internal models in the insurance sector 2019-2023*

	2019	2020	2021	2022	2023
Approval of (partial) internal models of individual companies	5	5	2	0	0
Approval of (partial) internal models of insurance groups	2	2	1	2	4

INTERNAL MODELS IN INSURANCE

In the area of insurance supervision, the FMA endorsed two applications from Austrian insurance groups for the approval of a changed model, and contributed to two additional model changes in the capacity of responsible supervisory authority in 2023 *(> Table 19)*. The FMA was the responsible supervisory authority as it forms part of its remit to supervise subsidiaries of groups that are authorised in another Member State and that also use the group model for calculating their individual own funds requirements. Internal group models are approved by way of common decisions adopted by all responsible supervisory authorities in the form of supervisory colleges.

Chart 33: *Number of foreign funds notified for sale in Austria 2019-2023*



SUPERVISION OF FOREIGN INVESTMENT FUNDS

The number of foreign funds notified for sale in Austria continued to grow in the reporting year, namely by 6% to 11 229. Specifically, the number of foreign alternative investment funds (AIFs) has risen, by +19% to 3 131, while the number of

Table 20: *Continued supervision of foreign investment funds 2019–2023*

	2019	2020	2021	2022	2023
Transactions with foreign UCITS	17 055	17 860	19 301	19 018	19 434
– Notifications	*816*	*742*	*807*	*759*	*627*
Transactions with foreign AIFs	5 819	5 125	6 825	7 271	7 757
– Notifications	*681*	*607*	*791*	*938*	*853*
Total	**22 874**	**22 985**	**26 126**	**26 289**	**27 191**

foreign undertakings for collective investment in transferable securities (UCITS) has grown only marginally, by +1.3% to 8 098 *(> Chart 33)*. The funds still originate mostly from Germany, France, Ireland, Luxembourg and the Netherlands.

Continued supervision of foreign investment funds deals in particular with procedures for notification of the sale of UCITS and AIFs from the European Economic Area in Austria; the competent authority of the home country submits the requisite documents to the FMA. The number of notification procedures dropped by 217, or 13%, to 1 480 in 2023.

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 information documents and prospectuses. The FMA must also be notified of mergers, any change of name, and the dissolution of funds. At 27 191, the number of transactions relating to the continued supervision of foreign investment funds rose slightly year-on-year *(> Table 20)*.

COLLEGES: A TOOL FOR CROSS-BORDER COOPERATION ON SUPERVISION

The companies supervised by the FMA not only operate 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.

BANKING SUPERVISION

A supervisory college was set up for five banking groups based in Austria in 2023. In accordance with the European rules, these colleges decide annually on group-wide capital and liquidity adequacy and on group-wide recovery plans. Three of the banking groups (Addiko Bank AG, Erste Group Bank AG and Raiffeisen Bank International 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 play a key role in the work of the colleges through the joint supervisory teams.

With regard to the two other banking groups (Bausparkasse Wüstenrot AG and Porsche Bank AG) the FMA is the competent supervisor and also chairs the respective colleges. A supervisory college headed by the ECB will be set up for BAWAG Group AG in 2024.

INSURANCE SUPERVISION

The FMA is the responsible group supervisor for five insurance groups with international operations and ultimate parent company 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 these groups' subsidiaries, regularly exchanging information on their risk situation in the supervisory colleges. The colleges are also a forum for exchanging experience in relation to current supervisory topics, such as the introduction of the International Financial Reporting Standard for insurance contracts, IFRS 17. To this end, the FMA organised two specific colleges in 2023 dedicated to the implementation status of this new financial reporting standard for the insurance sector. In the course of ongoing financial and risk analysis of insurance groups, the results of this international cooperation are used directly and also 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). Since 2021, CCP.A has also 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 per year, chaired by the authority responsible for that central counterparty, which is the FMA in the case of Austria. Other participants in the CCP.A college are ESMA, ECB (SSM), BaFin and Deutsche Bundesbank (Germany), AMF and ACPR (France), as well as OeNB and E-Control (Austria).
In addition, the FMA has continued to participate as a voting member in the supervisory college and also, since 2023, in the resolution college for Cboe Clear Europe, a central counterparty based in the Netherlands and associated with the Austrian entity OeKB CSD GmbH. The FMA has also been a voting member of the supervisory and resolution college of LCH SA since 2023, a central counterparty based in France and also associated with 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 for 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 businesses.
The supervisory colleges ensure that information is exchanged between the competent authorities and that their activities and supervision measures are conducted in a coordinated manner, in the interests of the harmonised application of the BMR and convergence in supervisory practice.
In 2023 there was one such college of supervisors, namely the EURIBOR college, which

is chaired by ESMA. The FMA is a voting member of the EURIBOR college in its capacity as competent authority for Raiffeisen Bank International AG, which has been a EURIBOR contributor since 2022.

INNOVATION AT THE FMA

The FMA is constantly working to improve the efficiency and effectiveness of regulation and supervision, and to develop its organisational structure, human resources and technical infrastructure. In response to the digital revolution, the FMA is focusing in this regard on SupTech and RegTech tools, in other words innovative digital solutions for regulatory and supervisory challenges.

INNOVATION LAB

The FMA's Innovation Lab, which began its work in 2023, provides a platform for testing new ideas and technologies to determine their suitability and relevance for use in supervision in an agile working environment. The main objective is to promote a culture of innovation and drive progress in financial supervision. As well as being used to develop prototypes, the lab also provides a forum for the exchange of specialist knowledge and the advancement of employees' expertise.

The Innovation Lab essentially comprises specialist, multidisciplinary and temporary teams in which experienced experts from supervisory practice cooperate closely with visionary ideas people as and when required.

Since the launch of the "Fit For Future – FMA 2025" programme (see box on page 21), three innovation projects have already been successfully implemented:

- A tool has been developed that uses natural language processing methods to automatically check the extent to which ESG terms, i.e. words from the environmental, social and governance fields, are used in UCITS fund prospectuses, and whether the use of these terms conforms with the fund name and the fund's investment strategy as described in the prospectuses – an innovative instrument for tackling greenwashing.
- Another new tool is being used for the automated thematic classification of consumer enquiries and complaints using machine learning algorithms.
- With the help of the "FMA Magnifying Glass", an interactive information tool, investors can automatically compare certificates according to certain criteria. A web crawler identifies relevant basic information sheets for certificates and their content is automatically analysed, aggregated and prepared in a user-friendly way using innovative text mining methods.

A promising project is also currently in the development phase that aims to optimise the review of annual financial statements through the use of large language models (LLM).

These projects demonstrate the extent to which the Innovation Lab is an important driver of transformation and innovation in financial market supervision.

THE FMA'S AML APP

In the fight against money laundering and the financing of terrorism, internationally abbreviated to AML (anti-money laundering), the FMA has developed its own AML app to monitor compliance with due diligence obligations and prevent money laundering. The app is based on R/Shiny technology and gives the FMA an up-to-date, comprehensive 360-degree view of each individual supervised entity at all times. The AML app thus lays the foundation for data-supported supervision using objective and risk-based risk scores.

Trends, risk factors or other relevant parameters can also be analysed and identified at an aggregated level, making it easier to adjust supervisory priorities on a regular basis. The data pool and the results that can be derived from it are used in the preparation and follow-up of specific on-site and off-site supervisory measures. They are also an important building block for the creation of a semi-automated report on the prevention of money laundering and terrorist financing.

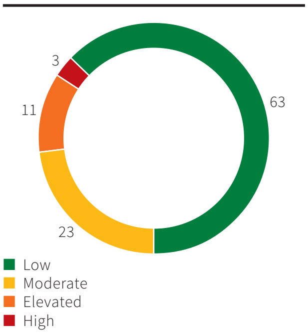
SUPERVISION OF CONDUCT, SALES AND FINANCIAL PRODUCTS

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.

BANKS

***Chart 34:** Conduct risk at banks in 2023 (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 evaluation of banks. The evaluation is based on four risk categories (low, moderate, elevated, high) according to data and key figures on the distribution of insurance products and investment services, as well as banks' sales figures with regard to their lending business. Based on the risk evaluation carried out for 2023, 3% of banks have a high, 11% an elevated and 23% a moderate risk profile, with 63% of banks ranked in the lowest risk category *(> Chart 34)*.

During the year under review the FMA set the following priorities in this area of supervision: avoidance of greenwashing in the sale of investment products, adherence to the rules of conduct in relation to the cross-border provision of investment services and the publication of marketing communications, as well as compliance with disclosure requirements in the field of sustainability pursuant to the Sustainable Finance Disclosure Regulation (SFDR)[12].

COMMON SUPERVISORY ACTION: A CONCERTED EUROPEAN REVIEW OF CONDUCT RULES WITH REGARD TO MARKETING COMMUNICATIONS

The FMA participated in a joint common supervisory action (CSA 2023) with the European Securities and Markets Authority (ESMA) dedicated to consumer protection and marketing communications (including advertisements). The CSA 2023 should help ensure supervisory convergence and the consistent application across the EU of the rules applicable to marketing communications, thereby enhancing the protection of

[12] *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.*

investors. It was also used as an opportunity to look into potential greenwashing practices in marketing communications. The ESMA prepared standardised questions, and the FMA carried out the actual evaluation by means of on-site measures at five credit institutions, taking care to cover the full range of sectors and regions. The surveys targeted organisational and procedural aspects in the preparation of marketing communications, as well as aspects relating to content such as the use of fair, clear and non-misleading language in marketing communications. ESMA is due to publish the results of the CSA 2023 on its website in aggregated form in 2024.

CROSS-BORDER PROVISION OF INVESTMENT SERVICES BY AUSTRIAN BANKS

In view of the increasingly digital and cross-border nature of the European market, it is especially important for supervisory efforts to be effective and efficient. Austrian banks are often engaged in the regions directly bordering Austria in particular, with the highest number of customers of Austrian banks being found in Germany, followed by Hungary and Italy. The FMA therefore aimed to get an overview in 2023 of the cross-border provision of investment services, taking supervisory measures at four Austrian credit institutions that are active in other EU countries. It focused on the scale of such services, their organisational implementation and the language used.

AVOIDANCE OF GREENWASHING IN THE SALE OF INVESTMENT PRODUCTS

Credit institutions are obliged to consider sustainability aspects when selling securities as part of their organisational obligations, in their assessments of the appropriateness of investment products for customers, in their selection and monitoring of products (product governance) and in relation to information requirements. Banks need to cluster sustainable products to determine the target market of products and to ensure that customers' sustainability preferences are correctly reflected in the target market, to prepare product information in a way that allows the customer to judge how "green" a product is, and to collect information about customers' sustainability preferences. These rules should ensure that clients can communicate their sustainability preferences on an informed basis and that they are offered appropriate products. The FMA took supervisory measures at six credit institutions in 2023 to evaluate implementation. In addition, it conducted market screenings at credit institutions to ensure their compliance with the transparency obligations pursuant to the SFDR.

INSURANCE UNDERTAKINGS

In insurance supervision, the FMA has set a number of priorities as a means of strengthening collective consumer protection and containing the operational risks of the supervised undertakings.

As in previous years, one priority – also within the framework of the strategic supervisory priority for 2021 to 2023 defined by the European Insurance and Occupational Pensions Authority pursuant to Article 29a of the EIOPA Regulation – was compliance with the product oversight and governance (POG) requirements. POG relates to the responsible and sustainable design process for financial products, which is not (only) oriented towards the goal of maximising profit but is geared in the first instance around the client's best interests. In this context, the focus in 2023 was on examining

whether customers' sustainability goals were considered during the product design process (also in relation to the avoidance of greenwashing) and on analysing the exclusion of natural disasters and cyber attacks. An additional focus was the consideration of sustainability preferences in the sales process.
In view of the currently high level of inflation, the FMA also took a closer look at insurance undertakings' practice of adjusting health insurance contracts, examining in particular whether they adhered to transparency rules.
Furthermore, the FMA took stock of the use of artificial intelligence (AI) at selected insurance undertakings, evaluating their governance measures specifically in relation to the fair and unbiased use of AI systems.

ASSET MANAGEMENT

Only properly informed investors can make sound investment decisions 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 annual FMA Market Study on Fees charged by Austrian Retail Funds, an analysis of greenwashing at retail funds, and a benchmark analysis.
The findings of the annual FMA Market Study on Fees charged by Austrian Retail Funds has been communicated to consumers in an easy-to-understand form. This market study helps investors to better assess and make comparisons between fund fees within an investment strategy and also between different strategies. Additionally, the FMA included a statistical appendix presenting the results of regression analysis to estimate the relevant factors influencing the fees charged by retail funds.
The FMA also carried out a comprehensive quantitative screening of retail funds for potential greenwashing. A detailed description can be found in the special topic of "Sustainable funds and greenwashing" on page 79.
The benchmark analysis focused on contingency plans of management companies, the updating of the contractual documents for those investment funds that use benchmarks, and on monitoring whether the index providers being used were included in the benchmarks register maintained by ESMA. The benchmarks were also analysed in detail.

INVESTMENT SERVICES

In addition to companies licensed by the FMA, tied agents and securities brokers are also subject to the rules of conduct set out in the Securities Supervision Act (WAG 2018; *Wertpapieraufsichtsgesetz*). Tied agents and securities brokers are a major distribution channel for investment services. They are unlicensed, independent professionals who, after registering with the FMA, may act as vicarious agents of the legal entity. The FMA holds certain supervisory powers, such as the right to obtain information and carry out inspections at tied agents and securities brokers. For the supervisor, this means that it no longer has to approach a case via the licensed legal entity for which the agent or broker acts. This direct supervisory power enables the FMA to fulfil its responsibility for conduct and sales supervision even more effectively.

SUSTAINABLE FUNDS AND GREENWASHING

Sustainable investment funds are the fastest growing market segment for Austrian asset managers. For funds operated in accordance with the Sustainable Finance Disclosure Regulation (SFDR)[1], assets under management totalled € 99.1 billion at the 2023 year-end, which already corresponds to 46.5% of the total fund volume. This type of sustainability funds is particularly well represented in the product range available to the general public, accounting for as much as 62% of UCITS[2] funds.

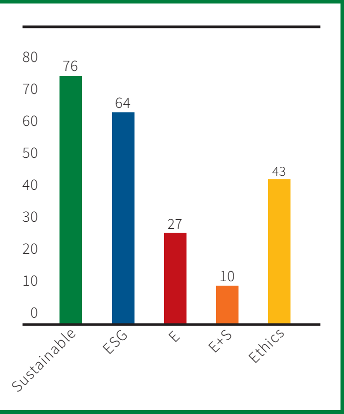
It is worth noting that € 96.7 billion can be attributed to "light green funds" in accordance with Article 8 of the SFDR and € 2.4 billion to "dark green funds" pursuant to Article 9 of the SFDR. Although Article 8 funds take environmental or social criteria into account in their investment strategy, they differ from Article 9 funds in that they do not invest exclusively in sustainable investments. As the distinction under Articles 8 and 9 of the SFDR is merely a categorisation for specific disclosure requirements, this does not allow any direct conclusion to be drawn about the actual material "sustainability" of a given fund.

The current European regulatory framework focuses on disclosure and transparency. Aspects highlighted in the advertised name of the fund must be consistent with that fund's defined investment strategy and not just be non-binding or of subordinate importance. As at 31 December 2023, a total of 220 Austrian funds had references to the concept of sustainability in their fund names, with E standing for environmental, S for social and G for governance. The environmental criterion primarily relates to the areas of climate protection, scarcity of resources, energy efficiency and careful use of water. The social criterion is mainly concerned with fair working conditions, fair pay, health and safety, and respect for human dignity. And sustainable corporate governance encompasses anti-corruption measures, risk and reputation management, diversity and equality. For analytical purposes, these aspects can be categorised into five terminological groups:

- **Sustainability** – use of adjectives such as "sustainable" or similar
- **ESG** – direct use of the abbreviation ESG or the three adjectives written out in full
- **E** – use of terms that only encompass environmental aspects; for example: environment, eco, green, climate, ecology, nature
- **E+S** – use of terms that include both environmental and social aspects; for example: people and environment, eco and social
- **Ethics** – use of terms that include ethical aspects; for example: ethics, responsibility, fair.

The term "sustainable" or synonyms for sustainable are used most frequently (76 funds), followed by the collective term ESG (64 funds) and then "ethics" (43 funds). The terms E (27 funds) and E+S (10 funds) are used less frequently. *(> Chart 35).*

***Chart 35:** Number of Austrian funds with sustainability-related terms in their fund names (31 Dec. 2023)*



GREENWASHING

The pace of growth on the market for sustainable financial products also creates the risk of greenwashing[3], a practice whereby sustainability-related statements, declarations, actions or communications are not a clear or appropriate reflection of the underlying sustainability profile of a company, financial product or financial service. Greenwashing can be misleading for consumers, investors and other market participants.[4] Under >

[1] 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.

[2] UCITS stands for undertakings for collective investment in transferable securities: these are investment funds created in accordance with 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.

[3] The term "greenwashing", with its reference specifically to "green", generally refers to environmental aspects. However, it is not common for other terms to be used, with the result that "greenwashing" is currently understood to refer not only explicitly to environmental aspects, but also to all sustainability/ ESG aspects.

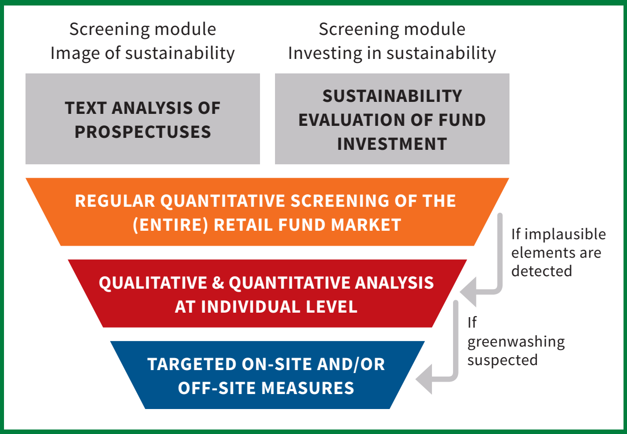
[4] See for example the ESMA Progress Report on Greenwashing of May 2023 at https://www.esma.europa.eu/document/progress-report-greenwashing.

supervisory law, greenwashing constitutes a breach of the special disclosure requirements defined in the SFDR and/or a breach of the principle that information provided to investors must always be fair, clear and not misleading (see Article 128 para. 2 and Article 134 para. 2 of InvFG 2011, Article 4(1) of Regulation (EU) 2019/1156). To prevent greenwashing, the FMA prioritises reviewing disclosures and compliance with the disclosed investment strategy. For this purpose, it used a greenwashing analysis framework for retail funds for the first time in 2023, drawing on automated text analysis methods and artificial intelligence.

Derived from the definition of greenwashing, the FMA analyses the consistency of the name and fund documents with regard to references to including sustainability-related aspects in the investment strategy (image of sustainability) and whether the suggested approach corresponds to the actual pursuit of the investment strategy in practice (investing in sustainability).

Quantitative greenwashing screening is used to enable risk-based and targeted supervisory measures to be implemented *(> Figure 4)*. This consists of two modules: firstly, the scope and content of sustainability-related language in fund documents are analysed using automated natural language processing (NLP) techniques. At the same time, the assets invested in the fund are analysed on the basis of several sustainability criteria, using analysis data from a commercial data provider. Applied sustainability criteria include, for example, investments in oil, gas or coal, the impact on biodiversity or investments in nuclear energy. In addition to environmental criteria, social and ethical criteria are also applied: for example, investments in tobacco, alcohol or arms. In each case, the perspective of an Austrian retail investor is decisive. The results of both parts are then compared with the disclosed investment strategy and the name of the funds on a rule-based basis in order to identify potential greenwashing.

Figure 4: *Greenwashing screening*



Due to the nature of quantitative screening, this can only represent an initial assessment rather than a complete judgement on greenwashing. In the next step, anomalies from the quantitative screening are therefore analysed in more detail using a quantitative and qualitative individual analysis. If the individual analysis confirms the suspicion of greenwashing, this specific fund is addressed through targeted on-site and/or off-site measures.

CONSUMER PROTECTION, INFORMATION AND COMPLAINTS

The FMA is committed to the principle of collective consumer protection and protects the interests of consumers as a whole. It is an impartial supervisory authority, required to be strictly objective and must maintain equidistance between all market participants. This means that it may not assist consumers 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 by companies to customers 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 about the financial services and products best suited to their personal requirements. Licensed companies are therefore obliged to provide honest, clear and non-misleading information to consumers and customers. 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 the general public in order to familiarise them with particular risks or to explain specific financial services and products to them clearly and in a way that is easy for them to understand. The FMA's website (www.fma.gv.at/en/) 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 most relevant topics and most frequently asked questions. These include Accounts, Enquiries and complaints, Insurance, Investments, Loans, Old-age provision, and Spotting financial fraudsters.

Additionally, the FMA also publishes its "Let's talk about money" consumer information series. The monthly issues are dedicated to answering consumer-relevant, everyday finance questions, with findings from reports, studies and analysis by the FMA being presented to the target group in a form that is easy to comprehend. The topics covered in 2023 were Low-risk investing; Buy now, pay later; Poverty in old-age is female; The right to an account; Private health insurance; Sustainable financial products; Let me introduce myself, the Austrian Financial Market Authority; 7 Rules of Investing; Phishing; the "Magnifying Glass" tool for certificates and Crossings.

CENTRAL COMPLAINTS SYSTEM

The FMA has its own complaints unit 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, nearly all licensed companies are required by law to have their own complaints unit, 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 the supervised companies have an appropriate complaints management system in place and whether it functions properly. If a customer finds a solution offered unsatisfactory, they may turn to the FMA's complaints unit.

In the reporting year, the FMA received more than 3 100 enquiries and complaints from consumers, which it duly processed and settled in the customer's interest where legally possible.

The majority of enquiries and complaints related to banks, followed by investment firms. They covered a wide variety of issues:

- Most enquiries related to **accounts and payment transfers,** specifically the time taken for transfers to be carried out, the actual execution and processing of transfers, as well as the cancellation and reversal of online payments.
- In terms of **anti-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).
- 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 which amount, as well as the circumstances under which the system would apply and how the scheme would pay out.
- With regard to **insurance companies,** 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 related to non-compliance 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.
- In terms of **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 FMA having the power to impose sanctions under administrative criminal law.
- The number of enquiries and complaints received in relation to a wide range of **crypto-asset issues** continued to climb during the year under review. In particular, there were many reported cases of investment fraud. As well as publishing frequent investor warnings, the FMA also regularly provides up-to-date information on the most common scams on its website to help warn consumers.

CONSUMER COMPLAINTS AND ENQUIRIES DATABASE (VERBA)

The FMA has been using its own intelligent VERBA database (an in-house development) to record and process enquiries and complaints received in connection with consumer information since 1 January 2023. The workflow of this new IT tool, which enables and connects external and internal correspondence, makes a significant contribution to simplifying and shortening throughput and helps with documentation. All enquiries and complaints are analysed using natural language processing (NLP) and are classified with the aid of artificial intelligence, improving data quality enormously.

The automated analyses are visualised in a management information tool in real time, making them available daily with a high level of data quality. The consumer and user-friendly contact form is also well received and heavily used, which facilitates data feeding. Lastly, VERBA improves market monitoring as required by the Markets in Financial Instruments Directive (MiFID) with its automated evaluation of relevant data.

PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

Since taking over the remit for the supervision of the prevention of money laundering and terrorist financing, the FMA has pursued a zero tolerance policy. In line with its statutory remit, the FMA monitors compliance with due diligence and reporting obligations using a risk-based approach. This approach is based on a risk classification of the supervised institutions. The FMA's resources are 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.

The Financial Markets Anti-Money Laundering Act (FM-GwG; *Finanzmarkt-Geldwäschegesetz*) is the key national legislation in this context and applies to the FMA and its anti-money laundering (AML) and countering the financing of terrorism (CFT) efforts as well as to the institutions it supervises. The FMA published four circulars on the interpretation, practical application and further clarification of the FM-GwG, specifically on due diligence obligations, risk assessment, reporting obligations and internal organisation. These circulars take account of recent legal developments, particularly also the inclusion of virtual asset service providers (VASPs) in the FM-GwG.

ON-SITE MEASURES

In 2023 the FMA carried out a total of 20 on-site inspections in order to monitor compliance with due diligence procedures for the prevention of money laundering and terrorist financing. Of these, 17 were conducted at banks, two at virtual asset service providers and one at an insurance undertaking. The FMA also carried out 22 examinations, of which ten at banks, two at insurance undertakings, two at investment firms, one at an investment service provider, two at VASPs, two at payment institutions, one at a tied agent, one at a provision fund, and one at an investment fund management company. In total, the FMA therefore carried out 42 on-site measures. Five management talks were also held in the reporting year.

OFFICIAL PROCESSES

The FMA initiated 97 cases of supervisory AML/CTF procedures in 2023: 39 investigations, ten procedural orders requesting that compliance with statutory provisions be restored and 48 administrative penal proceedings *(> Table 21)*.

Table 21: *Procedures 2019–2023*

	2019	2020	2021	2022	2023
Investigations	170	194	197	165	39
Procedures to restore compliance with statutory provisions	12	25	13	4	10
Administrative penal proceedings	11	31	50	117	48

REGULATORY DEVELOPMENTS

June 2023 saw the publication of the revised Transfer of Funds Regulation (TFR)[13]. In connection with the potential misuse of crypto assets for money laundering purposes, the European Commission had already presented a first draft for a recast of the TFR in July 2021. The original Regulation only covered transfers of funds with fiat currencies. Now transfers of crypto assets such as Bitcoin are also included, with information on the originators and beneficiaries of those transfers having to be provided from 30 December 2024 onwards. Peer-to-peer transfers and transfers to unhosted wallets are however not covered by the Regulation. The first part of the EU's anti-money laundering package is also entering into force along with the TFR. Political agreement was reached at the end of 2023/beginning of 2024 on the new Anti-Money Laundering Regulation, the Regulation establishing the Anti-Money Laundering Authority (AMLA) and the Sixth Anti-Money Laundering Directive, harmonising AML/CFT efforts throughout the EU and setting AML supervision in a European framework.

[13] *Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006.*

FIGHTING UNAUTHORISED BUSINESS OPERATIONS

One of the tasks included in the FMA's remit is the granting of licences for business activities within its area of supervision, thereby guaranteeing that companies entering the financial market meet all the necessary legal and economic conditions. The FMA 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 or dubious offers they can damage investor confidence, causing consumers to doubt that the Austrian financial market is functioning as it should, and they can also undermine 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 having the necessary authorisation for those services is referred to as unauthorised business.

PROCEDURES

In 2023 the FMA initiated a total of 278 investigations on suspicion of unauthorised business operations, and 280 could be brought to a close. The FMA also issued procedural orders calling upon 114 individuals to restore compliance with the statutory provisions and two administrative decisions requesting that compliance with statutory provisions be restored. Lastly, there were ten cases of administrative penal proceedings being initiated, as well as four penal decisions issued in connection with unauthorised business operations *(> Table 22)*.

	2019	2020	2021	2022	2023
Investigations initiated	202	238	358	290	278
Investigations completed	210	243	343	277	280
Warning notices	97	84	112	84	106
Reported offences	90	72	73	52	24
Administrative penal proceedings concluded	2	0	4	7	4

***Table 22:** Procedures against unauthorised business operations 2019–2023*

PUBLICATION OF WARNING NOTICES

The FMA published 106 warning notices, considerably more than in the previous year. Many of these related to dubious providers in the area of crypto assets, with frequent cases of such providers aggressively targeting retail investors with questionable and even fraudulent business models. Experience has shown that quickly publishing this type of warning about such providers is a very efficient and effective way of combating unauthorised activity. Their actions are thus countered with strong and broad publicity, which is particularly effective in cases where unauthorised offers appear online.

ENFORCEMENT

In accordance with Article 22 para. 1 of the FMABG, 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 2023 the FMA submitted a total of 24 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 work to combat unauthorised business operations.

SUPERVISION OF THE CAPITAL MARKET

PROSPECTUS SUPERVISION

PROSPECTUS APPROVALS

The number of prospectuses approved by the FMA in 2023 was slightly up on the previous year, with 83 approved prospectuses/prospectus components (2022: 71). Four applications for approval of a prospectus and two applications for approval of a supplement were dropped at the issuer's request. Broken down by prospectus type, the number of prospectuses for dividend-bearing shares, at six, remained on a par with the previous year (2022: 6), while the number of base prospectuses again rose steeply, up by 26% to 63, continuing the trend towards base prospectuses already in evidence. The number of prospectuses for corporate bonds remained unchanged at seven, and the number of multi-part prospectuses dropped slightly, with seven approved registration forms in 2023 (2022: 8). The number of approved supplements grew unusually strongly, rising by 35.7% to 95 (2022: 70). The number of final terms filed increased marginally from 7 860 in 2022 to 7 906 in 2023. There was also an increase in the number of prospectuses notified to other EEA Member States, from 47 (2022) to 48 (2023). The number of notified supplements increased by 23.7% from 59 in 2022 to 73 in 2023. The number of prospectuses notified in Austria by other EEA Member States again rose, from 312 in 2022 to 380 in 2023; the number of notified supplements was up from 689 in the previous year to 700 in the reporting year *(> Table 23)*.

Table 23: *Approved prospectuses 2019–2023*

	2019	2020	2021	2022*	2023
Approved prospectuses/prospectus components	68	63	63	71	83
– Dividend-bearing shares	*10*	*6*	*5*	*6*	*6*
– Non-dividend-bearing shares (one-off issue)	*6*	*11*	*10*	*7*	*7*
– Non-dividend-bearing shares (base prospectus)	*48*	*40*	*41*	*50*	*63*
– Registration forms (as part of a prospectus)	*4*	*6*	*7*	*8*	*7*
Approved supplements	82	77	70	70	95
Final terms	7 390	10 918	8 329	7 860	7 906
Outgoing notifications:					
Prospectuses	34	29	38	47	48
Supplements	57	52	57	59	73
Incoming notifications:					
Prospectuses	318	304	308	312	380
Supplements	825	571	682	689	700

** The method of counting was changed in 2023, which is why the figures stated here for 2022 do not correspond to those given in the Annual Report 2022.*

	2019	2020	2021	2022	2023
Administrative penalties KMG	13	4	2	0	2
Publication of sanctions	4	1	1	0	2
Publication of investor warnings pursuant to KMG 2019	2	3	1	4	0

***Table 24:** Administrative penalties KMG 2018–2022*

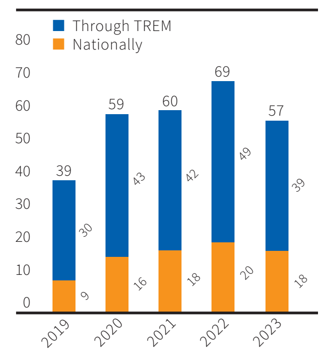
BREACHES OF ADVERTISING AND PROSPECTUS RULES

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 Authority conducted 22 cases (2022: 18), two of which resulted in administrative penal proceedings (2022: 0). The FMA did not publish any investor warnings (2022: 4) pursuant to the KMG in the year under review *(> Table 24)*.

SUPERVISION OF THE STOCK EXCHANGE AND SECURITIES TRADING

As at 31 December 2023, the Vienna Stock Exchange had 25 947 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), 429 companies were obliged to report their securities transactions to the FMA as at the same date, irrespective of whether these were executed at a trading venue or over the counter. In total, these institutions subject to reporting obligations submitted some 17.8 million securities transaction reports to the FMA during the year under review. Of this total number, around 15.9 million reports 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 around 39.2 million transaction reports from other European supervisory authorities. The FMA therefore received approximately 57.1 million transaction reports in total, which equates to a drop of 17.60% compared with the previous year *(> Chart 36)*.

***Chart 36:** Transaction reports submitted to the FMA 2019–2023 (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 77 investigations after conducting in-depth analysis that found indications of potential market abuse. Compared with the 84 initiated investigations last year, this represented only a slight decline *(> Table 25)*. There were 13 cases of inside information investigations being opened (2022: 19). In 64 cases, an investigation was opened due to suspected market

	2019	2020	2021	2022	2023
Investigations into misuse of inside information, market manipulation and violation of trading rules:					
Investigations initiated	101	123	147	84	77
Investigations forwarded for internal legal processing	12	12	24	5	8
Investigations dropped/completed	132	98	142	117	103
Reports forwarded to Central Public Prosecutor for Economic Crime and Corruption (WKStA)	1	0	4	0	0

***Table 25:** Market supervision 2019–2023*

***Table 26:** Official assistance market supervision 2019–2023*

	2019	2020	2021	2022	2023
Enquiries addressed to foreign supervisory authorities:					
BaFin	5	8	13	5	7
Other	7	14	22	10	10

	2019	2020	2021	2022	2023
Enquiries received from foreign supervisory authorities:					
BaFin	5	3	6	2	3
Other	10	5	6	7	6

manipulation or breach of trading rules, a nearly identical figure to the previous year (2022: 65).

The FMA's close cooperation for the purpose of exchanging information with European and international partner authorities is a crucial aspect of its work in relation to the supervision of the stock exchange and securities trading. In the reporting period, a total of 17 requests for official assistance were submitted to foreign authorities (2022: 15), with seven of these being submitted to the German Federal Financial Supervisory Authority (BaFin) *(> Table 26)*. The number of requests received from foreign authorities in 2023 remained unchanged year-on-year, at nine. First and foremost, the FMA provided official assistance to European authorities, but it also dealt with one request for support from Canada.

SUPERVISION OF ISSUERS

AD HOC DISCLOSURE

The disclosure of inside information should ensure that the investing public is made aware of crucial information relevant to prices, while also promoting efficient pricing due to any significant information being considered as quickly as possible. The shorter the interval between the creation of information that constitutes inside information and the disclosure of that information, the lower the risk of it being misused. In 2023 the FMA received 418 ad hoc reports (2022: 360) *(> Tables 27 and 28)*.

PERIODIC DISCLOSURE

The obligation to publish financial reports (periodic disclosure) is intended to satisfy the ongoing information needs of the capital market, and thus promotes both investor protection and the proper functioning of that 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 impose quarterly reporting obligations on issuers in the market segment subject to the strictest requirements. 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.

***Table 27:** Supervision of issuers 2019–2023*

	2019	2020	2021	2022	2023
Ad hoc reports received	373	447	421	360	418
Annual, half-yearly and quarterly reports received	466	328	314	208	196
Directors' dealings	461	1 465	910	1 202	971
Reports of voting rights received	565	488	546	698	500
Investigations:					
Initiated	33	33	22	23	28
Forwarded	19	25	17	11	22
Dropped/completed	30	33	21	27	42

Table 28: *Ad hoc reports by subject matter 2019–2023*

	2019	2020	2021	2022	2022
Share buyback/resale	13	18	10	6	17
Peculiarities/other items of ongoing business operations	115	153	202	116	139
Participations (acquisition, sale), partnerships	42	35	41	34	21
Financial reports/business figures	74	107	42	83	78
Large-scale order	3	1	1	5	3
Capital measures	49	54	47	30	65
Staff details	35	35	43	39	49
Forecasts, profit warning	6	23	6	11	6
Restructuring, recovery, insolvency	20	3	12	5	3
Strategic corporate decisions, investments	11	12	7	21	20
Management board meetings, resolutions	5	6	10	10	17
Total	**373**	**447**	**421**	**360**	**418**

During the period under review, the FMA received 196 annual and half-yearly reports (2022: 208) *(> Table 27)*.

DISCLOSURE OF MAJOR HOLDINGS

Requiring issuers to disclose changes in major holdings allows the investing public to buy or sell shares in full awareness of the modified voting rights, enhancing overall transparency within the market. In 2023 the FMA received 500 reports of major holdings (2022: 698) *(> Table 27)*.

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 the investing public's 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 details of any such activity via a regulatory procedure. In 2023 a total of 971 such directors' dealings were reported to the FMA (2022: 1 202) *(> Table 27)*.

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).

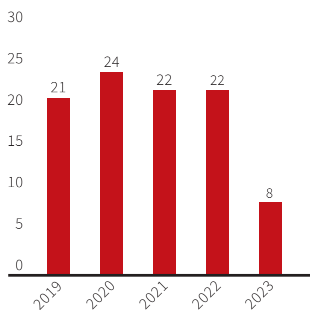
REVIEWS AND PUBLICATION OF ERRORS IN ENFORCEMENT

In total, 24 such reviews were carried out during the reporting year, 23 of which were implemented at companies selected at random *(> Table 29)*. There was one case in

Table 29: *Enforcement reviews 2019–2023*

	2019	2020	2021	2022	2023
Reviews finding no errors	15	19	21	21	22
Reviews finding errors	4	6	6	6	2
Publication ordered	4	6	6	6	2

Chart 37: *Error rate with enforcement reviews 2019–2023 (in %)*



which the review was carried out in response to particular circumstances. Another review was carried out by the FMA itself owing to the company's rejection of the AFREP's findings. Compared with previous years, the error rate, i.e. the number of reviews finding errors, was clearly lower in 2023 than in the years immediately following the introduction of enforcement in Austria, at 8% *(> Chart 37)*.

In total, three individual errors were identified at two companies. These errors related to the statement of cash flows (IAS 7), information about business combinations (IFRS 3), and the missing preparation and presentation of consolidated financial statements according to the IFRS in the annual financial statements (Article 124 para. 2 BörseG 2018 in conjunction with Article 244 para. 2, Article 245a para. 1 and Article 249 para. 2 UGB).

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 took measures in accordance with the RL-KG in the reporting year, but also carried 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 the European Securities and Markets Authority (ESMA).

In 2023 the FMA was actively involved in the following analysis work and activities:

- ESMA report "The Heat is On: Disclosures of Climate-Related Matters in Financial Statements".
- ESMA fact finding exercise "On Corporate Reporting Practices under the Taxonomy Regulation". In addition, issuers' disclosures pursuant to the Taxonomy Regulation were analysed. Seven Austrian issuers were informed of anomalies at the beginning of 2024.
- ESMA comment letters and replies to enquiries from transnational institutions on IFRS 9, IFRS 15 and sustainability reporting.
- Special analysis by ESMA and the EBA on the Post Implementation Review of IFRS 9 – Impairment. In addition, an empirical analysis of the type and scope of use of overlays at Austrian IFRS banks was carried out.
- Workshops with representatives of issuers from the insurance sector on the impact of implementing the new requirements in relation to recognising insurance contracts in financial statements (IFRS 17).

The FMA engaged in intensive dialogue with issuers and stakeholders on the publication of annual financial reports in the European Single Electronic Format (ESEF[14]). It technically validated the annual financial reports published in the ESEF format, notified the companies of any anomalies and supported them with any necessary corrections. In addition, issues that the companies were unable to resolve were submitted to the competent ESMA bodies in anonymous form.

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 bodies. In this context, it

[14] *The ESEF is the electronic reporting format in which companies listed in the EU must prepare their IFRS consolidated financial statements so that these financial reports contain structured data making them machine-readable.*

responded to about 140 technical enquiries and data requests on international accounting and non-financial reporting in 2023. European enforcement cases were discussed on an anonymous basis, with the FMA itself referring two accounting cases to the relevant ESMA working group.

The FMA supported the technical accounting-related work of the EMSA, EBA and ESRB working groups. In addition to financial reporting topics, this work increasingly also covered non-financial reporting.

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. It 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 the six topics set out in its supervisory and inspection priorities for 2023 during the reporting year:

- To strengthen the resilience of supervised financial service providers and preserve the stability of the Austrian financial market as a whole
- To exploit the opportunities of the digital transformation, while at the same time consistently addressing the associated risks
- To provide supervisory support for innovative business models as early as possible in order to promote the innovative strength of the Austrian financial market and to ensure fair competitive conditions
- To ensure and further develop an appropriate level of consumer protection in a rapidly changing environment, focusing on digital transformation, changing consumer behaviour, demographic development, and the interest rate turnaround
- To provide regulatory and supervisory support to the financial market and all its participants during the transition to a sustainable economic model
- To secure the clean character and reputation of the Austrian financial centre at all levels.

In addition, the FMA openly and transparently communicated current developments in regulation and supervision, as well as on the national and international markets.

PUBLIC RELATIONS CHANNELS

The FMA's key media channels are its Annual Report, which reviews developments on the financial markets, the FMA's supervisory activity and regulatory developments during the past year, and its Facts and figures, trends and strategies publication, 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. Apart from these two annual publications, the FMA's most important information and communication channel is its website, available at www.fma.gv.at/en/. It contains up-to-date information and reports on all matters relevant to regulation and supervision, as well as any breaking news, and its user-friendly databases give general access to relevant statistical data and to the texts of national and international regulations, as well as providing targeted information for all stakeholders.

CLASSIC PRESS RELATIONS

The FMA published 53 press releases (2022: 59) and 107 investor warnings (2022: 90) in 2023. The latter warn of dubious providers in the Austrian financial market and are also published on the Federal Government's Electronic Announcements and Information Platform (EVI), via X, LinkedIn and the FMA app.

In addition to dealing with current issues, the FMA's press releases covered the quarterly reports on the Austrian insurance sector, *Pensionskassen,* corporate provision funds, assert managers and foreign currency loans, as well as informing about the yearly reports on the regulatory sandbox, fund fees and state-sponsored retirement provision, and FMA activities to prevent money laundering.

At four press conferences, the Executive Directors reported on current issues and took questions from business journalists. At its Financial Statement Press Conference on 9 May 2023, the FMA presented its Annual Report 2022, which had already been duly submitted to the Austrian National Council on time. On 18 September 2023, at the Economic Writers' Club, the FMA Executive Directors presented the current lending rules to be applied by banks. On

23 October 2023, at a press dinner on the eve of the FMA Supervisory Conference, the FMA Executive Directors and Dominique Laboureix, Chair of the European SRB, discussed the topics of bank recovery and resolution. On 6 December 2023, the FMA Executive Directors outlined their supervisory and inspection priorities for 2024 and presented the annual publication Facts and figures, trends and strategies 2024.

DIGITAL COMMUNICATON

- **Website & newsletter:** The FMA website provides a wide range of information aimed at supervised companies and consumers. More than 273 articles were added to "The FMA informs" section alone during the reporting year. For the target group of consumers, the "A-Z of Finance", first published on the website in 2021, was further expanded. Additionally, the consumer information format "Let's talk about money" regularly delved into interesting aspects of basic financial literacy topics in 2023. These topics included Poverty in old age is female, Low-risk investing, Crossings, Sustainable financial products and Phishing, and were explained in simple, easy-to-understand language on two pages. All issues are available in printed form and online at https://redenwir-uebergeld.fma.gv.at/en/. Subscribers to the FMA newsletter are regularly informed about current regulatory and supervisory developments, receiving six such issues in 2023.
- **LinkedIn & X:** The FMA uses two social media channels, X (formerly Twitter) and LinkedIn. In 2023 the Authority tweeted 148 times and had more than 2 000 followers on X. On LinkedIn, the FMA had more than 13 000 followers by the end of the reporting year, up by nearly 40% year-on-year, and posted 132 times.

DIALOGUE WITH STAKEHOLDERS

The FMA embodies its role as an information hub on the Austrian financial market by engaging with the supervised entities and stakeholders in a range of established formats and forums, discussing and informing them about the latest regulatory and supervisory developments. These formats include not only large events such as the annual FMA Supervisory Conference, but also specific formats such as the CESEE Conference, the Financial Reporting Enforcement Symposium, the FinTech Week or the Dialogue on practice for investment firms. The FMA organised 15 such events in 2023. The FMA Executive Directors and employees also regularly attend conferences, symposia and seminars as presenters and delegates, informing interested professionals about relevant topics.

14TH FMA SUPERVISORY CONFERENCE

The FMA Supervisory Conference took place for the fourteenth time on 24 October 2023 and was dedicated to the general topic "Risk, Regulation, Resilience". Around 550 participants attended the conference in person and about 3 000 took part online. The conference's talks and debates centred around the global and regional challenges in the financial sector such as climate change, geopolitical tensions, digital transformation and economic upheaval, as well as the need to develop innovative solutions to tackle them.

ENFORCEMENT, SANCTIONS AND LAW

ADMINISTRATIVE PENAL PROCEEDINGS

In 2023 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 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 also punishing the natural persons.

However, based on the current case law of the Supreme Administrative Court (VwGH), it is de facto only possible to refrain from imposing a penalty once 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. These proceedings also include those cases that were initiated against persons held liable for the breach during the prosecution of legal persons and that were then predominantly discontinued once the legal person had been punished.

At the beginning of 2023, 242 administrative penal proceedings were pending at the FMA. A further 149 proceedings were initiated later in the year, and 143 cases were discontinued. At the end of 2023, 187 administrative penal proceedings were still pending. The FMA refrained from initiating proceedings after preliminary investigations in 387 cases. In 184 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 cases that will involve a more intensive procedural workload.

In 2023 the FMA issued 54 penal decisions (2022: 64) and two penal orders (2022: 7) *(> Chart 38)*. The penal decisions and penal orders related to 53 facts or cases in total *(> Chart 39)*. There is not always an exact correlation between the number of penal decisions and the number of cases. Firstly, in individual cases the FMA may impose more than one sanction, for instance when cases relate 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.

Chart 38: *Administrative penalties and admonitions 2019–2023*

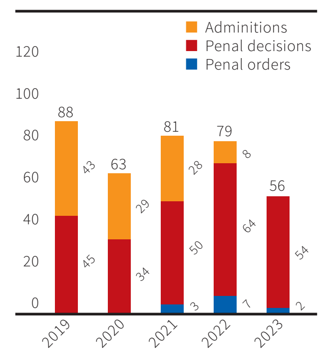
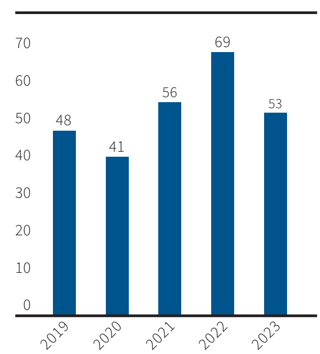


Chart 39: *Sanctioned cases 2019–2023*

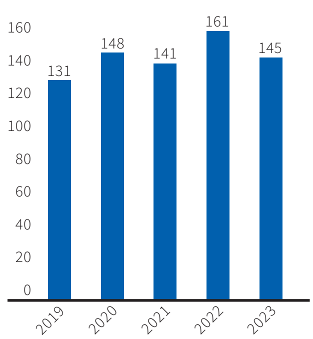


The FMA imposed fines totalling € 2 555 797 through its penal decisions and penal orders issued in 2023. The highest fine imposed was € 367 542. In the interests of transparency and prevention, the FMA publishes notices of sanctions on its website. These sanctions are increasingly being publicised alongside additional information on the individuals concerned in line with European requirements.

STATEMENTS OF FACTS AND REPORTS TO LAW ENFORCEMENT 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 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. The FMA is obliged to report such cases. Most frequently, this concerns suspected fraud or embezzlement. In 2023 the FMA submitted 145 statements of the facts to public prosecutors (2022: 161) *(> Chart 40)*.

***Chart 40:** Facts reported to public prosecutors 2019–2023*



SELECTED PROCEEDINGS

ADMINISTRATIVE PROCEEDINGS

PROCEEDINGS BEFORE THE FEDERAL ADMINISTRATIVE COURT AGAINST THE DATA PROTECTION AUTHORITY

The FMA regularly publishes investor warnings on its website. Persons concerned by these publications may apply to the FMA to have them reviewed. After completion of the review process, marked by the FMA issuing an administrative decision, they may then lodge a complaint with the Federal Administrative Court (BVwG).

In the case discussed here, the FMA published a notice stating that a company operating in the legal form of a limited liability company (GmbH) was not entitled to provide investment services in Austria that require a licence. Following a review process conducted by the FMA, the GmbH lodged a complaint with the BVwG, which was dismissed as unfounded. The Constitutional Court (VfGH) declined to review the BVwG decision, referring the complaint to the Supreme Administrative Court (VwGH). The extraordinary petition for review was dismissed by the VwGH.

With the appeal procedure having come to an end, the GmbH submitted a request for erasure according to the Data Protection Act (DSG; *Datenschutzgesetz*) to the FMA. The company requested that the investor warning be deleted from the FMA website and also asked for the erasure of all personal data that had been processed. The GmbH argued that a footer had been removed from their website, meaning that the processing of the data had been unauthorised. The FMA denied the request for lack of a legal basis, following which the GmbH subsequently lodged a complaint with the Austrian Data Protection Authority (DSB).

In the proceedings before the DSB, the FMA justified its denial of the GmbH's request for erasure on the grounds that the GmbH was not entitled to make such a request

pursuant to Article 1 of the DSG since it was a legal person. Even if the GmbH had been entitled to make the request, the data protection complaint would not have been justified since the BVwG had confirmed the legality of the investor warning.
The DSB upheld the data protection complaint inasmuch as it found that the GmbH's right to erasure had been breached. In the DSB's view, the purpose for the publication had ceased to exist since the GmbH's internet presence had been changed and potential investors were therefore no longer being misled. The GmbH in its capacity as a legal person was also entitled to lodge a complaint with the DSB since Article 1 DSG not only applied to natural but also to legal persons – and consequently also to a GmbH.
The FMA appealed against this DSB decision, filing a complaint with the BVwG and arguing that a legal person could not be entitled to lodge complaints pursuant to Article 1 DSG. Rather, Article 1 DSG did not protect legal persons to the extent assumed. The BVwG confirmed the FMA's argument and found that the GmbH had not been entitled to lodge the complaint with the DSB. The appealed DSB decision was thus changed insofar as the GmbH's complaint was referred back to the DSB.
In the matter of this BVwG decision, petitions were still pending at the VwGH as well as a complaint at the VfGH at the end of the reporting period. In summary, they raise the question of whether legal persons may invoke the ordinary implementing provisions of the DSG.

COMPLAINTS AGAINST MEASURES BEFORE THE VWGH

Two complaints against measures taken by the FMA were lodged with the BVwG in the reporting period, according to which the FMA had wrongfully inspected accounts and then forwarded this data in-house as well as externally to law enforcement authorities. The complainants alleged that the FMA had breached banking secrecy rules and the right to data protection. In response, the FMA argued that (1) the inspection of accounts within the scope of verifying whether an institution is complying with its due diligence obligations in relation to anti-money laundering does not constitute a (separately contestable) measure, i.e. an act of direct administrative and coercive power, (2) the institutions had freely granted access to these accounts owing to the FMA's supervisory remit, and (3) data had exclusively been forwarded within the scope of the FMA's statutory obligations, specifically its obligation to report possible breaches to the Financial Intelligence Unit. The BVwG upheld this argumentation in essence and did not class the behaviour presented by the complainants as an act of direct administrative and coercive power, therefore rejecting the complaint as inadmissible. An extraordinary petition for review brought by the complainants was subsequently dismissed by the VwGH.
In another case of a complaint against a measure, the VwGH reached its final ruling in the reporting period: a (former) credit institution complained to the BVwG in 2018 about an on-site examination during which the FMA examined internal auditing documents. The credit institution considered this to have been an illegal search of its premises. While the BVwG initially held the same view, the VwGH upheld the FMA's legal point of view and declared that the conditions for a complaint against a measure, i.e. existence of an act of direct administrative and coercive power, were not met by the reasoning in the BVwG's decision. The existence of a normative directive does not require either the subjective assumption of a duty of obedience or a further planned course of action by the officials concerned (that is not however externally

communicated). A reference by FMA employees to their supervisory right to carry out inspections does not suffice to reach the conclusion that enforcement would involve the exercising of administrative or coercive power, since the exercise of powers must be distinguished from the options for enforcing them. In addition, the VwGH found that the BVwG had not considered the evidence and breached procedural rules, reversing the decision. The complainant withdrew their complaint in the second legal procedure, and the BVwG dropped the complaint procedure.

INDIVIDUAL PETITION TO VERIFY THE LEGALITY OF THE KIM-V

In the summer of 2023, a bank customer lodged an individual petition with the VfGH to verify the legality of the Regulation on Real Estate Financing Measures in Credit Institutions (KIM-V; *Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung*). The bank customer requested that the provisions relating to the loan-to-value ratio (LTV) of 90% and the debt service-to-income ratio (DSTI) of 40%, and possibly supplemented by further provisions relating to the institution-based exemption buckets, as well as the applicable calculation rules for the LTV and DSTI ratios, or alternatively the entire KIM-V be deemed unlawful and be repealed. He claimed to have been directly affected by the Regulation, after his application for a loan to buy a flat had been declined solely on the basis of the terms of the KIM-V.

In a legislative review procedure by the VfGH, the FMA explained in detail why the application was not justified on formal and substantive grounds, specifically because the applicant was not a party addressed by the KIM-V, and the legal conditions for issuing the Regulation had been given at the time of the KIM-V being issued and were currently still applicable. The Oesterreichische Nationalbank (OeNB) had examined and confirmed the substantive conditions for the KIM-V (specifically the existence of systemic risks arising from debt financing of real estate and the suitability of the regulated measures to mitigate those systemic risks) both at the time of the Regulation being issued and during the legislative review procedure.

The VfGH dismissed the individual application by issuing its decision on 13 December 2023 (V 329/2023-40), reasoning that the unlawfulness claimed in the application was so improbable that there was no reasonable chance of success. The VfGH therefore found that the statutory conditions for issuing the Regulation have been fulfilled to date and continue to be fulfilled.

ADMINISTRATIVE PENAL PROCEEDINGS

AD HOC DISCLOSURE

The FMA issued a penal decision, imposing a fine of € 262 500 on a listed company for its breach of the Stock Exchange Act 2018 (BörseG 2018; *Börsegesetz*). The FMA considered it proven that, prior to publication of the corresponding ad hoc report, it could already be assumed that the issuer was planning a mix of capital measures (accelerated bookbuilding and mandatory convertible bonds) amounting to up to 25% of the share capital given that the management board had already adopted a resolution including a project order, set out a time schedule and agreed on the key parameters. The corresponding report was however only published eleven days later.

The company lodged a complaint against the decision with the BVwG. The BVwG dismissed the complaint, upholding the legal opinion of the FMA and confirming the penal decision on account of a delayed ad hoc report pursuant to Article 17 of the

Market Abuse Regulation (MAR). The BVwG also accepted the FMA's arguments in relation to setting the amount of the fine but reduced the amount (to € 99 400) in light of the company's (deteriorated) consolidated result. The ordinary appeal to the VwGH was declared inadmissible, and an extraordinary petition for review was subsequently not lodged with the VwGH.

DISCLOSURE OF MAJOR HOLDINGS

The FMA issued penal decisions to three companies from the same insurance group for breaching the BörseG 2018, imposing fines totalling € 226 667. The companies held nearly 10% in voting rights, and had failed to report the exact amount of these holdings. Since the voting rights in the issuer were held via special funds, which were managed by an investment fund management company, these companies had regarded themselves as being exempt from the reporting obligation. Consequently, neither the FMA nor the general public had been informed if and to what extent they held interests in the issuer during the period in question. The BVwG substantially dismissed the companies' complaints and upheld the FMA's penal decisions. The BVwG agreed with the FMA's legal opinion, as reported, and confirmed the companies' reporting obligation pursuant to Article 130 BörseG 2018. The three companies filed both a complaint with the VfGH and petitions for review with the VwGH. The VfGH rejected consideration of the filed complaint. The VwGH dismissed the petitions for review in two of the three cases as unfounded and granted it in one case, annulling the contested penal decision.

INSIDER DEALING

The FMA issued a penal decision fining a retail investor € 144 900 for a breach of the ban on insider dealing. Profits of € 23 675 were declared forfeited. The retail investor filed a complaint against the decision with the BVwG.
The BVwG agreed with the FMA's legal opinion and considered it proven that the retail investor had been prompted to invest CHF 92 400 in (own-issued) warrants after he had become aware of inside information (upcoming share buy-back programme by a listed company). The fine for the retail investor was reduced from € 144 900 to € 115 000. The illegally gained profits were assessed at the same amount of € 23 675.
The ordinary appeal was not admitted, and an extraordinary petition for review was subsequently not lodged with the VwGH.

ORGANISATIONAL REQUIREMENTS PURSUANT TO THE WAG 2018

The FMA issued a penal decision, imposing a fine of € 40 250 on a credit institution that had breached the Securities Supervision Act 2018 (WAG 2018; *Wertpapieraufsichtsgesetz*). The breach concerned non-compliance with organisational requirements pursuant to the WAG 2018 in connection with the portfolio management of two funds that a management company had outsourced to the credit institution.
The institution filed a complaint against this decision with the BVwG. The BVwG revoked the FMA's penal decision on the grounds that the complainant was not liable to prosecution since it had not conducted individual portfolio management. It had provided a collective portfolio management service, with the provisions of the WAG 2018 cited by the FMA therefore not being applicable.
The FMA brought an extraordinary petition for review against this decision to the VwGH. The VwGH dismissed the FMA's petition as unfounded, noting that based on

national law the credit institution's activities were to be regarded as collective portfolio management. The credit institution did not manage the assets of individual customers (of the management company) on an individual basis but the assets of a group of investors for joint account according to the applicable fund rules, and that activity had to be classed as collective portfolio management from a material point of view.

AML DUE DILIGENCE OBLIGATIONS (FM-GWG)

In 2020 the FMA imposed a fine of € 154 000 on a credit institution that was suspected of having breached due diligence measures in the area of anti-money laundering (AML) and countering the financing of terrorism (CFT). The credit institution was accused of having failed to identify and verify all of the owners of a customer ranked in the highest risk group. The complaint brought against this decision was dismissed by the BVwG as unfounded. In 2023 the VwGH upheld the extraordinary petition for review and annulled the BVwG decision due to the illegality of its content. In its reasoning, the VwGH stated that the BVwG had raised an inadmissible alternative allegation since it had based the penal liability of legal persons both on Article 35 para. 1 (management offence) and para. 2 (employee offence) of the Financial Markets Anti-Money Laundering Act (FM-GwG; *Finanzmarkt-Geldwäschegesetz*). The BVwG has now remedied this deficiency and once again in the second instance dismissed the complaint against the FMA's penal decision as unfounded. The VwGH's decision on the extraordinary petition for review raised is still pending.

In a case already outlined in the 2022 Annual Report, the FMA had imposed a fine of € 56 000 on a credit institution. The institution had implemented procedures to ascertain whether certain customers were politically exposed persons (PEPs) but had not carried these out with sufficient regularity during the business relationship. The VwGH has now dismissed the credit institution's petition against the BVwG's substitute decision, in which it had set the fine at € 43 120 and thus increased it again. In its reasoning, the VwGH stated in particular that the credit institution's claim that the offence had become statute-barred no longer applied since the BVwG had already definitively ruled on the question of guilt in the first instance.

VFGH COMPLAINTS ON ALTERNATIVE PENALTIES

The VfGH declined consideration of two complaints relating to the question of which of several specific alternative penalties in the BörseG 2018 should be applied in the absence of specific constitutional implications. The provisions in Article 142 para. 3, Article 107 para. 1 no. 7 and Article 141 para. 1 no. 2 of the BörseG 2018 did not violate Article 7 of the European Convention on Human Rights (ECHR) in conjunction with Article 18 para. 1 of the Federal Constitutional Act (B-VG; *Bundes-Verfassungsgesetz*) and Article 49 of the Charter of Fundamental Rights of the European Union (CFR), since the provision in Article 22 para. 8 of the Financial Market Authority Act (FMABG; *Finanzmarktaufsichtsbehördengesetz*) clearly states that an administrative penalty must be determined in accordance with the penalty that carries the largest fine.

BANK RESOLUTION

RESOLUTION PLANNING

During the year under review the FMA was responsible for the resolution planning of 345 banks (total as at 1 January 2023). The Single Resolution Board (SRB) is responsible for another ten Austrian banking groups, working in cooperation with the FMA. According to current estimates, 18 of the banks for which the FMA holds direct responsibility are so significant for the Austrian market and its stability that they might need to be resolved by the FMA in accordance with the Bank Recovery and Resolution Act (BaSAG; *Bankensanierungs- und Abwicklungsgesetz*) in at least one of the tested scenarios. In the event of failures, it is likely that the other 327 smaller banks can be liquidated in insolvency proceedings under the Austrian Insolvency Act (IO; *Insolvenzordnung*).

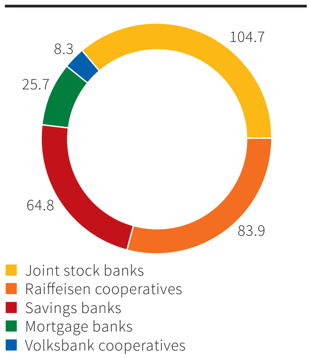
During the reporting year, the FMA informed those banks for which resolution presently cannot be ruled out in the event of a crisis situation about the results of their resolvability assessments as well as the key points of the resolution plans drawn up in 2022, doing so in bilateral talks and in writing. In addition, 17 of these banks were prescribed to hold a minimum requirement for own funds and eligible liabilities (MREL) over and above the capital requirements that otherwise apply. The one remaining bank will have an MREL imposed on it for the first time in 2024. The MREL serves to ensure that, in the event of resolution, sufficient equity and debt resources are available for loss absorption through write-down and for the recapitalisation of the bank by means of conversion into Common Equity Tier 1 capital.

As part of the revision and further development of the resolution plans for these banks in the 2023 planning cycle, work focused on the gradual implementation of the resolvability requirements in proportionate application of the relevant EBA guidelines on resolvability and the relevant SRB policies. To this end, workshops were arranged in April and May 2023 for those 18 banks, which were tasked with implementing the resolvability requirements relevant to the 2023 resolution planning cycle (new requirements included in particular: access to financial market infrastructure, liquidity and funding, as well as management information systems). An appraisal of the reports submitted by the banks and a resolvability assessment were included in the 2023 resolution plans. Additionally, the updated bail-in playbooks submitted by the banks were analysed, as were queries on the eligibility of selected liabilities for MREL. Analysis also focused on possible alternative strategies for banks with bail-in strategies, and the in-depth analysis of the impact of bail-in in a banking sector including

the related mitigation measures was continued. Three banks whose resolution plan includes a transfer strategy submitted a transfer playbook as well as data for a separability analysis report, which was also analysed in the resolution plans for 2023.
Following evaluation of the opinions of the European Single Resolution Board (SRB) and the banking supervisory authorities on the concepts developed, the 2023 resolution plan including the imposed MREL will be finalised in the first half of 2024.
For the smaller banks, checks were carried out to determine whether there were any changes to the previous assessment according to which, in the event of these banks failing, it would be credible and feasible to liquidate them through insolvency proceedings. A fully updated resolution plan was prepared in 2023 for one of those banks for which a resolution college had been established. For cross-border banks with resolution colleges, joint decisions on the resolution plans and MREL were prepared by the competent resolution authorities.
At the request of 16 banks for which resolution cannot be ruled out, the existing general prior permissions for the reduction of MREL-eligible liabilities have been renewed for one year with effect from 1 January 2024.
In the resolution planning for central counterparties, the focus was on preparing the first draft of a resolution plan for an Austrian CCP and on assessing a potential public interest in resolution. A CCP resolution college was also established and the first meeting was held.

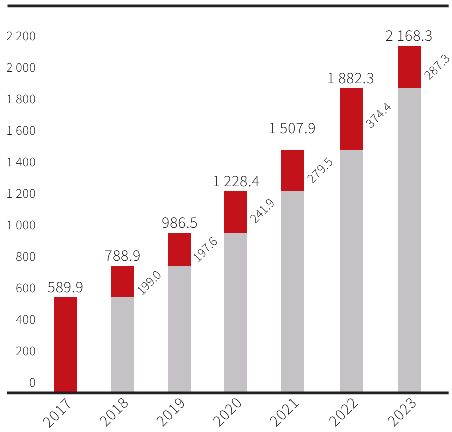
RESOLUTION FUND

Chart 41: *Banking sectors' shares in the resolution fund in 2023 (in € millions)*



Where the funds of a bank's shareholders, creditors and large depositors are insufficient to recapitalise an ailing institution as part of a resolution process, the SRB may call upon the Single Resolution Fund (SRF) to intervene. The SRF is based at the SRB and funded by all CRR credit institutions. The target level is 1% of the total covered deposits of these banks. The SRB calculates and sets the individual amount to be contributed by each bank. As the national resolution authority, the FMA is required to implement and enforce the SRB's decision for the banks for which it bears responsibility. During the year under review, the FMA was duly instructed by the SRB to request, in the form of emergency administrative decisions, that 412 banks pay a total of € 287.3 million in contributions to the SRF and to transfer the collected funds accordingly *(> Chart 41)*. Austrian institutions have paid approximately € 2.2 billion to the SRF since its inception in 2016 *(> Chart 42)*. Over the same period, the number of institutions required to pay contributions has fallen, down from 605 in 2015 to 412 by 2023. Within the scope of the European Single Resolution Mechanism (SRM), the contribution of the participating Member States for 2023 was € 11.3 billion, which means that the SRF currently holds around € 77.8 billion. The SRF's build-up has thus been completed, with the target amount of 1% of covered deposits in the euro area being reached at the end of 2023.

Chart 42: *Austrian contributions to the SRF 2019–2023 (in € millions)*



RESOLUTION PROCESSES

CRISIS SIMULATION – DRY RUN 2023

In April 2023, the FMA and its Czech partner authority together executed a cross-border dry run. The Dry Run 2023 exercise was started at the end of

2022 with the development of a realistic crisis scenario for a fictitious banking group. The aim was a "live" simulation of a resolution college in the event of a crisis and testing an open bank bail-in with external execution. All in all, more than 65 individuals from ten different institutions took part in the dry run. The three-day exercise began with the detailed simulation of the fictitious banking group's resolution weekend on the first two days. On the third day, a practice-oriented workshop dealt with the implementation of the external bail-in. The dry run underlined the importance of collaboration among financial authorities and external stakeholders. It also marked a significant step towards better preparation for possible financial crisis situations, strengthening the financial sector's resilience in the process.

KA FINANZ AG

Following the FMA's approval, KA Finanz AG (KF) has been operating as a wind-down entity as defined in the BaSAG since 6 September 2017. It was tasked with winding down its portfolio in accordance with the strategy approved by the resolution authority and the specified risk profile. Under supervision of the resolution authority, KF's total assets were reduced to € 0.6 billion as at 30 June 2023, compared with € 9.8 billion as at 31 December 2017. KF's wind-down activities were therefore completed in July 2023. In September 2023, KF notified the FMA of the successful completion of its portfolio reduction pursuant to Article 84 paras. 10 and 11 of the BaSAG. The notification included a portfolio and liquidation report as at 31 July 2023, as well as the auditor's confirmation that the conditions pursuant to Article 84 para. 10 nos. 1 and 2 of the BaSAG had been fulfilled. In the resolution authority's opinion, KF has sufficiently documented its wind-down measures and presented a comprehensible liquidity plan covering the expected liquidation period. The resolution on KF's dissolution was adopted by final administrative decision of the resolution authority subject to a condition precedent, declaring that the KF's operations as a wind-down unit have ended. This decision by the FMA was issued on 28 December 2023 and became legally binding on the same day with KF waiving its right to appeal. This also brings to an end FMA's responsibility for KF in the capacity of resolution authority. The company has been in liquidation since 1 January 2024 in accordance with the relevant provisions under company law, its company name now being KA Finanz AG i.A. ("i. A." denoting "in liquidation" in German).

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. During the year under review, Helmut Ettl and Eduard Müller made up the Executive Board of the FMA. Helmut Ettl was reappointed on 1 February 2023 for a further term of office starting on 14 February 2023. 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 5)*: of these, the Federal Minister of Finance (BMF) as well as the Oesterreichische Nationalbank (OeNB) appoint four members each, who are eligible to vote, while the Austrian Federal Economic Chamber (WKO) nominates two co-opted members without voting

Figure 5: *Supervisory Board of the FMA (as at 31 Dec. 2023)*

CHAIR:	DEPUTY CHAIR:
Alfred Lejsek (BMF)	**Robert Holzmann** (OeNB)

MEMBERS:		CO-OPTED MEMBERS:
Gottfried Haber (OeNB)	**Dietmar Schuster** (BMF, until 30 Juni 2023)	**Walter Knirsch** (WKO, until 18 March 2023)
Gabriela De Raaij (OeNB)	**Nadine Wiedermann-Ondrej** (BMF, from 1 August 2023)	**Louis Norman-Audenhove** (WKO, from 19 March 2023)
Karin Turner-Hrdlicka (OeNB)	**Elisabeth Gruber** (BMF)	**Franz Rudorfer** (WKO)
	Beate Schaffer (BMF)	

rights to represent the supervised institutions. The latter have clearly delineated rights to obtain information. 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
- 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 2023 the Supervisory Board convened on 17 March, 21 April, 1 June, 29 September and 21 November.

At its meeting on 21 April 2023, the Supervisory Board unanimously discharged the Executive Board for the 2022 financial year pursuant to Article 18 para. 4 FMABG.

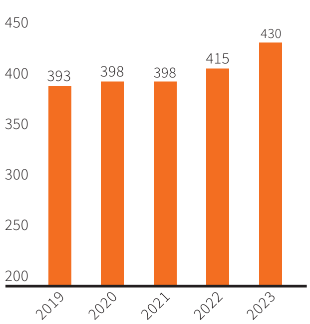
Figure 6: *Organisation chart of the FMA (as at 31 Dec. 2023)*

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

STAFF

NUMBER OF STAFF

Chart 43: *Number of staff (FTEs) 2019–2023*



The Supervisory Board had approved a staffing target of 430 full-time equivalents (FTEs) for 2023 *(> Chart 43)*. The actual number of staff em-ployed by the FMA as at 31 December 2023 was 424.23 FTEs, which corresponds to 463 employees (excluding those on leave). 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 dropped to 3.15% in 2023 (2022: 4.95%), the second-lowest level in the past ten years. This can be attributed to such factors as the positive expectations surrounding the results of the “Fit for Future – FMA 2025” programme, as well as the career development opportunities afforded at international level within the European supervisory system. Furthermore, the FMA’s flexible working from home policy and the options for reconciling work and family life also help boost the overall satisfaction levels of FMA staff. The calculated turnover rate does not include those employees whose fixed-term contracts expired during the year.
The number of civil servant colleagues assigned to duty at the FMA from the Federal Ministry of Finance remained almost unchanged year-on-year, at 9.88 FTEs. However, as a percentage of all employees, the proportion of such civil servants dropped from 2.42% to 2.16%. In 2007 the equivalent figure was still as high as 10%. The number of contractual employees also remained practically unchanged, at 4.1 FTEs, accounting for approximately 1% of the total workforce.
The age structure of FMA staff is extremely balanced, with an average age of 43. Nearly one in four members of staff (24.19%) worked part-time in 2023, with parents on part-time leave accounting for the majority of this group.

Table 30: *Planned and actual staffing levels in FTEs in 2023*

	Planned staffing levels as at 31 Dec.	Actual staffing levels as at 31 Dec.	Difference in %
Executive Board Affairs, Enforcement and Law, Internal Audit	29.00	30.88	6.48
Banking Supervision	89.50	87.24	–2.53
Insurance and Pension Supervision	59.00	57.14	–3.16
Securities Supervision	91.15	89.98	–1.29
Integrated Supervision	77.25	77.10	–0.19
Services	58.10	57.50	–1.03
Bank Resolution	26.00	24.40	–6.15
Total	**430.00**	**424.23**	**–1.34**

Differences arising from rounding to two decimal places are ignored.

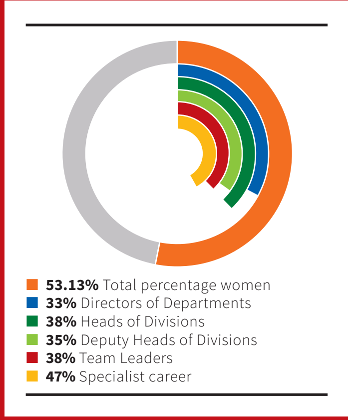
THE PROMOTION OF WOMEN AT THE FMA

The Federal Equal Treatment Act obliges the Financial Market Authority (FMA), as an outsourced federal authority, to treat all of its employees equally. The FMA is required to guarantee protection against discrimination on the basis of gender, ethnicity, age, religion or views, and sexual orientation. The Act also provides for positive measures for actual gender equality, such as a special requirement to promote women in all areas in which gender parity has not yet been achieved. Accordingly, the FMA implemented an initial plan for the advancement of women in 2016, which has since been updated several times. The Women's Promotion Plan 2022 to 2027 is currently in force.

EQUAL TREATMENT

As an expression of the principle of equal treatment, one of the main aims of the Federal Equal Treatment Act is to achieve gender parity among all employees as well as among managers and in the Specialist Career Programme.
Due to the attractive and family-friendly working conditions at the FMA and the ongoing promotion of greater flexibility in the workplace, the goal of gender parity across the entire workforce has been met for many years now. At the end of the reporting year, women accounted for 53.13% of the total staff *(> Chart 44)*.
With regard to management positions, however, there is still work to be done. After a slow catch-up process over many years, the proportion of women in executive positions has actually dipped slightly (2023 year-end), reaching 36.96% of all management positions (from the Executive Board to division and department heads to team leaders). It is particularly regrettable that the proportion of women in team management, where gender parity had already been achieved over the period from 2019 to 2021, has fallen again and is now 38%. Otherwise, the proportion of women at the respective management levels below the Executive Board lies between 33% and 38%.
In order to fulfil the goal of gender parity in management positions at all levels in the foreseeable future, the FMA will step up its measures to promote women in management careers over the coming years. The promotion of gender parity is also a key concern of human resources development with regard to the Specialist Career Programme.

Chart 44: *Percentage of management positions occupied by women at the FMA*

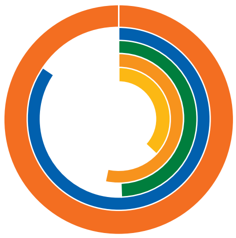


MEASURES TO PROMOTE WOMEN

- As long as gender parity has not been established at a given hierarchical level, female applicants with equal qualifications are favoured during the hiring process.
- When the FMA advertises vacancies for management positions in which women are under-represented, it actively approaches suitable female candidates in-house and encourages them to apply.
- Every advertised position is evaluated to determine whether it can also be fulfilled on a part-time basis.
- After each selection process for a management position, the number of female and male applicants is disclosed to the workforce.
- Women are given preferential consideration when it comes to the allocation of leadership roles and participation in (inter)national committees and working groups, including if they work part-time.

The current, very flexible working from home regulation, which has been in force since July 2023, will also make a lasting contribution to reconciling work and family or private life in general. It makes it easier to take specific life circumstances into account and thus facilitates individual development opportunities in both specialist and management careers.
The principles of equal opportunities, diversity and inclusion are also reflected in the new FMA mission statement developed as part of the "Fit for Future - FMA 2025" reform project under the title "Our values of togetherness". In keeping with this mission statement, one of the FMA's priorities in 2024 will be the activation of these values at the FMA and their implementation and further development in the FMA culture.

***Chart 45:** Expert organisation FMA*



84.67% with degree
49.68% with additional qualifications
53.13% women
36.96% women in management positions

The percentage of women in relation to total staff remained almost unchanged, dipping slightly from 53.48% to 53.13%. In terms of management positions, the share of women decreased from 40.74% to 36.96%, which was mostly due to the interim filling of vacant posts during periods of parental leave. This effect is therefore likely to be only temporary. The FMA continues to strive towards gender parity, also with regard to women in managerial functions. For more details on the plan for the promotion of women, please refer to the chapter "The promotion of women at the FMA" on page 111.

The share of university graduates increased, up from 83.82% to 84.67% *(> Chart 45)*. Nearly every second employee (49.68%) has additional qualifications such as a second degree, postgraduate training, or a professional qualification as a lawyer or tax consultant. The percentage amounts to 64.15% when the 67 active employees are taken into account who successfully completed the postgraduate university programme in Financial Market Supervision. This course of study for working students was developed jointly by the FMA, OeNB and the Vienna University of Economics and Business (WU).

HR DEVELOPMENT

Continuing professional development is a top priority for the FMA in its capacity as an organisation of experts. Its human resources development programme encompasses a broad and varied range of measures for different target groups and requirements:

- FMA Academy
- Master in Financial Supervision programme (Professional Master – PM), offered jointly with the OeNB at the WU Executive Academy
- Executive development
- International seminars organised within the European partner network (EIOPA, ESMA, EBA etc.) or by other international organisers
- Seminars organised by external providers based on executives' individual requirements.

FMA ACADEMY

The FMA Academy offers seminars tailored to specific target groups at management and specialist level, as well as training designed to impart skills in various subject areas (basic, social, methodological, leadership, language, specialist and expert skills). The offer comprises internal and external seminars, national and international courses, e-learning opportunities, study visits and staff exchanges.

In 2023 the FMA Academy organised a total of 210 seminars, workshops and lectures, in which 3 537 individuals participated. Executives also had the opportunity to take part in 18 further seminars. In addition to these internally organised seminars, FMA staff attended 747 specialised training courses at third-party educational institutions targeted at individual career development in their specific fields.

FMA staff members also attended 361 international seminars at 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

Development opportunities for FMA executives were also further expanded during the reporting year, with one focus being change management to support the transformation process as part of the "Fit4Future – FMA 2025" programme. Additionally, executives attended seminars dedicated to psychological safety, leading generations and conflict management.

INTERNATIONAL NETWORKING

The reporting year was dominated by close dialogue with the ECB, including five intensive Human Resources Conference Meetings. The joint working programme focused primarily on the following topics:

- Development of the European System of Central Banks' (ESCB) and Single Supervisory Mechanism's (SSM) learning and development strategy for 2025–2030
- Strengthening of talent attraction for ESCB and SSM
- Evaluation of the possibility of developing a joint employer branding programme for ESCB and SSM (in addition to local efforts)
- Promotion of mobility with the SSM.

The FMA once again seconded employees to partner organisations to promote international collaboration during the year under review: one employee was seconded to the EBA and European Commission, with two employees spending time at the ECB and one working at ESMA. The ECB and EBA secondments took the form of host-based contracts where the receiving institution pays the expenses. The secondments to the European Commission and ESMA took the form of Seconded National Experts (SNEs), which means employees remain in the service of the FMA. In addition, one employee made a study visit to the Dutch central bank (DNB).

INTERNAL COMMUNICATION

The FMA strives to promote good internal communication, and considers physical meetings particularly important. It therefore held an Environment Day, organised a drop-in event as part of its "Fit for Future" programme and initiated a well-received Women's Breakfast with thought-provoking presentations and lively discussions on the occasion of International Women's Day. The popular Cappuccino Talks were continued, with the Executive Directors again engaging with employees. A wide range of presentations on relevant topics such as healthy eating or positive psychology in the workplace were also organised. One particularly successful communication format was a new addition for executives: the Executive Dialogue was established to promote exchange among executives and to strengthen internal networks.

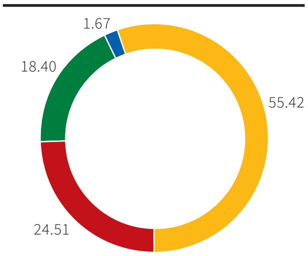
As part of a digital communication initiative, the FMA's intranet was improved, making it easier for staff to search for information. This was in response to suggestions for improvement submitted during a staff survey on employees' specific needs and requirements.

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 € 4.6 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 its regulatory sandbox, which it established in 2020, amounting to € 500 000. Secondly, in its capacity as an authority, the FMA may levy fees for particular services as defined by law. Thirdly, the remaining amount is contributed by the supervised entities according to the share of costs incurred in each case.

Chart 46: *Supervisory costs in 2023, breakdown by accounting group (in %)*



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 46)*. 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 determined. This share is then allocated and charged to each individual supervised entity in line with the statutory provisions.

PAYMENT NOTICES

In accordance with Article 19 FMABG, the supervised companies are required to reimburse the FMA for all costs not covered by other means. The financial statements and statement of costs are used as the calculation basis for these costs. The share of costs to be borne by the supervised companies is determined on the basis of the data reported by those companies themselves or, for example, data from 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 or subgroup 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 2022 in November 2023, together with the notices for the advance payments for 2024. At 2 700, the number of payment notices has risen compared with the previous year (2022: about

THE FMA ON THE PATH TO GREATER SUSTAINABILITY

In its capacity as a modern and future-oriented supervisory authority, the FMA supports the transition to a climate-neutral economy and strives to set an example from a sustainability perspective. Sustainability therefore concerns us as financial market supervisors in two respects:

- Firstly, financial markets have a crucial role to play in combating climate change. The aim is for them to realign financial and capital flows towards a sustainable economy, embed sustainability in the risk management of all market participants, and promote transparency around sustainability risks. As supervisors, we have an important role to play in supporting this transformation process and limiting the associated risks. This Annual Report documents and provides an insight into the many initiatives that we have taken in our supervisory role.
- Secondly, we of course acknowledge our own position as a role model for society in general and financial market participants in particular. We have been embedding sustainability as one of our management principles for many years.

We set up a dedicated sustainability team many years ago, with members from all departments who review the established processes, resources and infrastructures from a sustainability perspective, developing and driving initiatives to make the way we work as resource-efficient as possible. This is how, for example, the FMA has been able to significantly reduce its carbon footprint in recent years.

A brief outline of some examples of our in-house initiatives:

- Our file management is fully electronic, which has massively reduced paper consumption.
- We have implemented an environmentally conscious mobility strategy:
  - We attend transnational meetings virtually in the form of video conferences whenever possible, which has massively reduced the number of flights taken.
  - We switched individual mobility over to electronic vehicles.
  - We support the use of public transport and bicycles for daily commutes. Staff members can have their bikes serviced free or charge, for example, allowing them to cycle to work without worrying about a malfunction or producing carbon emissions.
- Our facility management is consistently geared towards sustainability criteria: we have succeeded in markedly reducing our consumption of water, electricity and heating energy, as well as the amount of waste we produce. For example, to save energy, all our work spaces will be equipped with sensor-controlled LED office lights. We also monitor compliance with our defined fan coil settings daily (heating and cooling).
- In central procurement (office furniture and materials, paper, hygiene supplies), we pay attention to sustainable production, environmental certification, environmental friendliness and compatibility. We therefore source all our products in line with the Austrian Action Plan for Sustainable Public Procurement (naBe) and the guidelines for public procurements by the Austrian Federal Procurement Agency (BBG).
- Sorting our waste for recycling is of course also a priority.
- Our canteen is eco-certified, so it buys locally sourced ingredients every day and prepares food sustainably.
- To help promote biodiversity, we have made room for five bee colonies – looked after by professional organic beekeepers – on the FMA's flat roof since spring 2022. The hives produced 85 kilos of organic honey in 2022 and 50 kilos in 2023.

Extensive information as well as current and detailed figures, such as the extent to which our in-house sustainability strategy has helped reduce the FMA's carbon footprint, can be found in our annual environmental brochure, which is also validated by external auditors. The brochure is available on the FMA website (www.fma.gv.at/en/) for downloading.

2 500). Based on the actual costs of 2022 minus the advance payments made for that year, the entities liable to pay costs are due a refund of about € 300 000.

FINANCIAL STATEMENTS 2023

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. CONTAX Wirtschafts-treuhandgmbH carried out the statutory audit of the FMA's financial statements and statement of costs for 2023 as well as of the resolution financing arrangement's balance sheet and income statement for 2023. It 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 2023 financial statements of the FMA and of the resolution financing arrangement on 26 April 2024. The share contributed by entities liable to pay costs rose in 2023, by some € 10.4 million compared with 2022, to approximately € 76.2 million. This increase is mainly attributable to increases in personnel expenses and other operating expenses.
Personnel expenses were up by about € 7.5 million to € 58.5 million year-on-year, which is due to a larger number of staff (an additional 22 FTEs) as well as to adjustments of salary levels for inflation and annual salary progressions.
Other operating expenses were up by € 2.9 million, compared with 2022, to total € 28.4 million in the reporting year:

- The increase in Other consulting services (+ € 1.1 million) is mainly attributable to external services in connection with the "Fit For Future – FMA 2025" project.
- The costs for the items Rent (+ € 0.4 million) and Other external services (+ € 0.4 million) in the facility area were higher, mostly due to inflation.
- There were no longer any COVID-related restrictions in the 2023 reporting year, which is why there was again an increase in business trips (+ € 0.2 million) and training seminars (+ € 0.3 million).
- In addition, reimbursements for external supervisory services provided by the OeNB increased by € 0.3 million; these related to the ESAEG and insurance accounting groups.

As a consequence of the changed interest rate environment and resulting more favourable terms, the financial result improved to € 0.9 million.

CHARTS

TABLES

FIGURES

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	*Anti-Money Laundering*
AML/CFT	*Anti-Money Laundering and Countering the Financing of Terrorism*
AMLA	*Anti-Money Laundering Authority*
APAB	*Austrian Audit Oversight Authority*
APP	*Asset Purchase Programme*
ASVG	*Allgemeines Sozialversicherungsgesetz (General Social Insurance Act)*
ATX	*Austrian Traded Index*
BaFin	*Federal Financial Supervisory Authority (Germany)*
BaSAG	*Bankensanierungs- und Abwicklungsgesetz (Bank Recovery and Resolution Act*
BBG	*Budgetbegleitgesetz (Budget Accompanying Act)*
BCG	*Basel Consultative Group*
BMF	*Federal Ministry of Finance*
BMR	*Benchmarks Regulation*
BMSVG	*Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz (Company Employee and Self-Employment Provisions Act, as amended)*
BörseG	*Börsegesetz (Stock Exchange Act)*
BVwG	*Federal Administrative Court*
BWG	*Bankwesengesetz (Austrian Banking Act)*
CASP	*Crypto Asset Service Provider*
CCP	*Central Counterparty*
CCP.A	*Central Counterparty Austria GmbH*
CESEE	*Central, Eastern and South-Eastern Europe*
CFR	*Charter of Fundamental Rights of the European Union*
CRR	*Capital Requirements Regulation*
CSA	*Common Supervisory Action*
CSD	*Central Securities Depository*
DAX	*Deutscher Aktienindex (German stock index)*
DG	*Directorate-General of the European Commission*
DLT	*Distributed Ledger Technology*
DLT	*Pilot Regime A regulatory approach for market infrastructure based on a distributed ledger technology*
DORA	*Digital Operational Resilience Act*
DSB	*Austrian Data Protection Authority*
DSG	*Datenschutzgesetz (Data Protection Act)*
EBA	*European Banking Authority*
ECB	*European Central Bank*
ECHR	*European Convention on Human Rights*
ECSP	*European Crowdfunding Service Provider*
ECSPR	*European Crowdfunding Service Providers Regulation*
EDIS	*European Deposit Insurance Scheme*
EEA	*European Economic Area*
EFIF	*European Forum for Innovation Facilitators*
EIOPA	*European Insurance and Occupational Pensions Authority*
ELAK	*Elektronischer Akt (electronic file)*
EMIR	*European Market Infrastructure Regulation*
ESA	*European Supervisory Authority*
ESAEG	*Einlagensicherungs- und Anlegerentschädigungsgesetz (Deposit Guarantee Schemes and Investor Compensation Act)*
ESAP	*European Single Access Point*
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*
EStG	*Einkommensteuergesetz (Income Tax Law)*
ETF	*Exchange Traded Fund*
EU	*European Union*
EURIBOR	*Euro Interbank Offered Rate (three-month interbank rate)*
EuVECA	*European Venture Capital Fund*
EXAA	*Energy Exchange Austria*
FATF	*Financial Action Task Force*
Fed	*Federal Reserve (USA)*
FinTech	*Financial Technology*
FMA	*Financial Market Authority (Austria)*
FMABG	*Finanzmarktaufsichtsbehördengesetz (Financial Market Authority Act)*
FM-GwG	*Finanzmarkt-Geldwäschegesetz (Financial Markets Anti-Money Laundering Act)*
FMSB	*Financial Market Stability Board*
FSB	*Financial Stability Board*
FTE	*Full-Time Equivalent*
FTSE	*Financial Times Stock Exchange Index*
GDP	*Gross Domestic Product*
GmbH	*Gesellschaft mit beschränkter Haftung (limited liability company)*
IAIS	*International Association of Insurance Supervisors*
IAS	*International Accounting Standards*
ICT	*Information and Communication Technology*
IFRS	*International Financial Reporting Standards*
IMF	*International Monetary Fund*
ImmoInvFG	*Immobilien-Investmentfondsgesetz (Real Estate Investment Fund Act)*
Immo-KAG	*Real estate investment fund management companies*
InvFG	*Investmentfondsgesetz (Investment Fund Act)*
IOPS	*International Organisation of Pension Supervisors*
IORP	*Institution for Occupational Retirement Provision*
IOSCO	*International Organization of Securities Commissions*
IRG	*Investment and Risk Sharing Group*
IRT	*Internal Resolution Team*
JST	*Joint Supervisory Team*
KAG	*Investment fund management company*
KF KA	*Finanz AG*
KIM-V	*Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung (Regulation on Real Estate Financing Measures in Credit Institutions)*
KMG	*Kapitalmarktgesetz (Capital Market Act)*
KVO	*Kostenverordnung (Cost Regulation)*
LSI	*Less Significant Institution*
MAR	*Market Abuse Regulation*
MiCAR	*Markets in Crypto-Assets Regulation*
MiFID	*Markets in Financial Instruments Directive*
MiFIR	*Markets in Financial Instruments Regulation*
MMIT	*Market Manipulation Insider Tracer*
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*
NFRD	*Non-Financial Reporting Directive*

NGFS	Network for Greening the Financial System	SREP	Supervisory Review and Evaluation Process
NLP	Natural Language Processing	SRF	Single Resolution Fund
NRA	National Resolution Authority	SRM	Single Resolution Mechanism
OeKB	Oesterreichische Kontrollbank AG	SSM	Single Supervisory Mechanism
OeNB	Oesterreichische Nationalbank	STOR	Suspicious Transaction and Order Report
PEP	Politically Exposed Person	Sub-IG	Sub-Investment Group
PEPP	Pandemic Emergency Purchase Programme	SupTech	Supervisory Technology
PK	Pensionskasse (pension company)	TFR	Transfer of Funds Regulation
PM	Professional Master	TIBER	Threat Intelligence-Based Ethical Red Teaming
POG	Product Oversight and Governance	TREM	Transaction Reporting Exchange Mechanism
RCG	Regional Consultative Group	UCITS	Undertakings for Collective Investment in Transferable Securities
RegTech	Regulatory Technology		
RL-KG	Rechnungslegungs-Kontrollgesetz (Financial Reporting Enforcement Act)	UGB	Unternehmensgesetzbuch (Corporate Code)
		VAG	Versicherungsaufsichtsgesetz (Insurance Supervision Act)
RTS	Regulatory Technical Standards	VASP	Virtual Asset Service Provider
RWA	Risk-Weighted Assets	VERBA	Consumer complaints and enquiries database
S&P	Standard & Poor's	VfGH	Constitutional Court
SaaS	Software As A Service	VStG	Verwaltungsstrafgesetz (Administrative Penal Act)
SCR	Solvency Capital Requirement	VwGH	Supreme Administrative Court
Security-oriented IRG	Security-Oriented Investment and Risk Sharing Group	WAG	Wertpapieraufsichtsgesetz (Securities Supervision Act)
SFDR	Sustainable Finance Disclosure Regulation	WKO	Austrian Federal Economic Chamber
SI	Significant Institution	WKStA	Central Public Prosecutor for Economic Crime and Corruption
SIEM	Security Information and Event Management	WU	Vienna University of Economics and Business
SRB	Single Resolution Board	ZLES T	ime and performance tracking system