

Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB) and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) CRD

Please send/upload this template to

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation¹);
- [DARWIN/ASTRA](#) when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure².

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Central Bank of Iceland
1.2 Country of the notifying authority	Iceland
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? <ul style="list-style-type: none"> <input type="checkbox"/> Activate a new SyRB <input checked="" type="checkbox"/> Change the level of an existing SyRB <input type="checkbox"/> Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) <input type="checkbox"/> De-activate an existing SyRB <input type="checkbox"/> Reset an existing SyRB (review)

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

² On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure

2.1 Institutions covered by the intended SyRB

Please indicate whether the SyRB applies to:

- All institutions authorised in the Member State
- One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered)

Name of institution	LEI code	Consolidation level
Arion banki hf.	RIL4VBPDB0M7Z3KXSF19	Highest level of consolidation
indó sparisjóður hf.	549300JPBA4VMG3A6682	Highest level of consolidation
Íslandsbanki hf.	549300PZMFIQR79Q0T97	Highest level of consolidation
Kvika banki hf.	254900WR311Z9NPC7D84	Highest level of consolidation
Landsbankinn hf.	549300TLZPT6JELDWM92	Highest level of consolidation
Sparisjóður Austurlands hf.	967600ZISRIPDC9ERJ93	Highest level of consolidation
Sparisjóður Höfðhverfinga ses.	254900H6IYQMB9RAU056	Highest level of consolidation
Sparisjóður Strandamanna ses.	9676003QL0SA69DLD253	Highest level of consolidation
Sparisjóður Suður-Pingeyinga ses.	967600OER0PGHRKQTB65	Highest level of consolidation

- A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries)

Name of subsidiary	Name of the parent	LEI code of the subsidiary

The SyRB applies to all deposit taking institutions.

2.2 Exposures covered by the SyRB (Article 133(5) CRD)

Please indicate the exposures to which the SyRB applies:

- (a) all exposures located in the Member State that is setting the buffer;
- (b) the following sectoral exposures located in the Member State that is setting the buffer:
- (i) all retail exposures to natural persons that are secured by residential property;
 - (ii) all exposures to legal persons that are secured by mortgages on commercial immovable property;
 - (iii) all exposures to legal persons excluding those specified in point (ii);

	<p>(iv) <input type="checkbox"/> all exposures to natural persons excluding those specified in point (i);</p> <p><input type="checkbox"/> (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3;</p> <p><input type="checkbox"/> (d) all exposures located in other Member States;</p> <p><input type="checkbox"/> (e) exposures located in third countries.</p>																			
<p>2.3 Subsets of sectoral exposures</p>	<p>Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:</p> <ul style="list-style-type: none"> - The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB: <table border="1" data-bbox="632 683 1461 965"> <thead> <tr> <th>Dimensions/subdimensions</th> <th>Elements</th> </tr> </thead> <tbody> <tr> <td>1. Type of debtor or counterparty sector</td> <td></td> </tr> <tr> <td>1.a Economic activity</td> <td></td> </tr> <tr> <td>2. Type of exposure</td> <td></td> </tr> <tr> <td>2.a Risk profile</td> <td></td> </tr> <tr> <td>3. Type of collateral</td> <td></td> </tr> <tr> <td>3.a Geographical area</td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> - Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account: <ul style="list-style-type: none"> (i) size (ii) riskiness (iii) interconnectedness. - Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted? 	Dimensions/subdimensions	Elements	1. Type of debtor or counterparty sector		1.a Economic activity		2. Type of exposure		2.a Risk profile		3. Type of collateral		3.a Geographical area						
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<p>2.4 Exposures located in other Member States and in third countries</p>	<p>The systemic risk buffer in Iceland does not apply to exposures located in other countries.</p>																			
<p>2.5 Buffer rate (Article 133(9)(e) CRD)</p>	<p>Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.</p> <p>Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.</p> <table border="1" data-bbox="632 1648 1474 1960"> <thead> <tr> <th rowspan="2">Exposures</th> <th colspan="2">New SyRB rate</th> <th colspan="2">Previous SyRB rate</th> </tr> <tr> <th>All institutions (SyRB rate)</th> <th>Set of institutions (range of SyRB rates)</th> <th>All institutions (SyRB rate)</th> <th>Set of institutions (range of SyRB rates)</th> </tr> </thead> <tbody> <tr> <td>(a) All exposures located in the Member State that is setting the buffer</td> <td>2%</td> <td>% - %</td> <td>3%</td> <td></td> </tr> <tr> <td>(b) The following sectoral exposures located in the Member State that is setting the buffer:</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Exposures	New SyRB rate		Previous SyRB rate		All institutions (SyRB rate)	Set of institutions (range of SyRB rates)	All institutions (SyRB rate)	Set of institutions (range of SyRB rates)	(a) All exposures located in the Member State that is setting the buffer	2%	% - %	3%		(b) The following sectoral exposures located in the Member State that is setting the buffer:				
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3. Timing for the measure																														
3.1 Timing for the decision	04/12/2024																													
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3.3 Disclosure	<p>All information on decisions regarding capital buffers is available on the Central Bank's website, see here: https://www.cb.is/financial-stability/macprudential-policy/capital-buffers/</p> <p>The justification for the decrease in the level of the buffer is available on the Central Bank's website.</p>																													
3.4 Timing for application	05/12/2024																													
3.5 Phasing in	The decrease in the buffer rate will take immediate effect.																													
3.6 Review/deactivation of the measure	The measure will be reviewed in 2026 at the latest. A change in the level of the buffer will be based on the development of the underlying risk described in 4.1, the indicators listed in 4.3 and the Central Bank's financial stability committee's expert opinion.																													

4. Reasons for the notified SyRB	
<p>4.1 Description of the macroprudential or systemic risk in your Member State (Article 133(9)(a) of the CRD)</p>	<p>- The Icelandic economy is a small, open economy with its own currency. There is considerable sectoral concentration in the economy, especially within the export sector. The economy relies heavily on foreign trade and is sensitive to developments in the global economy. Economic fluctuations tend to be more frequent and extreme in Iceland compared to most other European countries. These fluctuations translate into a more uncertain economic environment with higher credit risk of banks. The entire financial sector is exposed to the elevated credit risk arising from the inherent structural vulnerabilities of the Icelandic economy.</p> <p>- While this risk remains and is relevant for the Icelandic economy, the Central Bank has seen a reduction in economic fluctuations in recent years. Furthermore, the net international investment position, which has been negative historically in Iceland, has turned positive allowing the Central Bank to build a sizeable foreign currency reserve. This bolsters the resilience of the economy to external shocks. Therefore, the financial stability committee has decided to lower the buffer rate from 3% to 2%.</p>
<p>4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State (Article 133(9)(b) CRD)</p>	<p>The main weaknesses of the Icelandic economy can be explained by its small size and sectoral concentration, mainly in exports (fish, aluminium and tourism).</p> <p>Experience has shown that unexpected shocks can lead to a drastic increase in debt servicing problems in the non-financial sector with the potential to pose a serious solvency risk to banks.</p> <p>The credit institutions that the SyRB is applied to are all vulnerable to the same risks. They must therefore maintain the SyRB to bolster the resilience of the financial system as a whole.</p>
<p>4.3 Indicators used for activation of the measure</p>	<ul style="list-style-type: none"> • The volatility of key economic variables such as: GDP growth, private consumption, investment, foreign trade, exchange rates and inflation. • The size and openness of the economy. • Sectoral concentration and composition of exports. • Credit institutions exposures to a limited range of domestic based industries and consumer markets.
<p>4.4 Effectiveness and proportionality of the measure (Article 133(9)(c) CRD)</p>	<p>The SyRB aims to increase the resilience of the financial system in Iceland and minimize the risk to financial stability in the medium- to long-term. The SyRB is therefore thought to be a suitable and effective measure to counter the structural risk due to the volatility inherent to the Icelandic economy.</p>
<p>4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD (Article 133(9)(f) CRD)</p>	<p>The systemic risk described in 4.1 applies to all domestic exposures in Iceland regardless of the size or systemic importance of individual financial institutions. Therefore, the systemic risk buffer applies only to domestic exposures and applies to all deposit-taking institutions.</p>
5. Sufficiency, consistency and non-overlap of the policy response	
	<p>Based on the evaluation of indicators listed in section 4.3 and on expert judgement a 2% systemic risk buffer is deemed to sufficiently bolster financial institutions' resilience to mitigate the risk described in section 4.1.</p>

5.1 Sufficiency of the policy response	
5.2 Consistency of application of the policy response	<p>The application of the systemic risk buffer in Iceland is consistent with Icelandic law.</p> <p>The application and motivation for the systemic risk buffer in Iceland is similar to that of many other countries that have activated the buffer based on the vulnerabilities of small open economies.</p>
5.3 Non-overlap of the policy response	<p>The SyRB does not overlap with other policy tools.</p>
6. Cross-border and cross-sector impact of the measure	
<p>6.1 Assessment of cross-border effects and the likely impact on the Internal Market</p> <p>(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2³)</p>	<p>Since the credit institutions affected by the measure are all largely domestic in terms of operating income and exposures, and relatively small in terms of financial institutions in other countries, any possible cross-border effects stemming from the domestic institutions are likely to be negligible.</p>
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	<p>The credit institutions affected by the measures are all mostly domestic in terms of operating income and exposures. Reciprocation of the measure by EEA countries would limit the potential leakages and regulatory arbitrage.</p> <p>Since direct cross-border lending to Icelandic businesses is currently relatively low reciprocation of the measure at this time has been deemed unnecessary.</p>
<p>6.3 Request for reciprocation by other Member States</p> <p>(Article 134(5) CRD and Recommendation ESRB/2015/2)</p>	<p>Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD?</p> <p>No.</p> <ul style="list-style-type: none"> - Direct cross-border lending to Icelandic businesses is currently relatively low. The Central Bank of Iceland will continue to monitor cross-border lending to Icelandic businesses. If the need arises the bank could consider to formally request reciprocation of the buffer to other states that are members of the European Economic Area (EEA) and which banks provide direct cross-border lending to Iceland to apply an equal or equivalent requirement to those exposures.

³ Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

<p>6.4 Justification for the request for reciprocation by other Member States</p> <p>(Article 134(5) CRD and Recommendation ESRB/2015/2)</p>	<p>See 6.3.</p>
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7. Combination of the SyRB with other buffers

<p>7.1 Combination with G-SII and/or O-SII buffers</p> <p>(Article 131(15) CRD)</p>	<p>There is no institution in Iceland subject to a G-SII buffer. For the institutions subject to an O-SII buffer, the sum of the systemic risk buffer rate and the O-SII buffer rate is not in any case above 5%.</p> <table border="1" data-bbox="630 683 1460 1086"> <thead> <tr> <th>Name of institution</th> <th>G-SII/O-SII buffer rate</th> <th>O-SII consolidation level</th> <th>Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr> <td>Arion banki hf.</td> <td>3%</td> <td>highest level of consolidation</td> <td>5%</td> </tr> <tr> <td>Íslandsbanki hf.</td> <td>3%</td> <td>highest level of consolidation</td> <td>5%</td> </tr> <tr> <td>Landsbankinn hf.</td> <td>3%</td> <td>highest level of consolidation</td> <td>5%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> </tbody> </table>	Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates	Arion banki hf.	3%	highest level of consolidation	5%	Íslandsbanki hf.	3%	highest level of consolidation	5%	Landsbankinn hf.	3%	highest level of consolidation	5%		%		%		%		%		%		%		%		%
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<p>7.2 Combination with other systemic risk buffers</p> <p>(Article 133(11) and (12) CRD)</p>	
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No set or subset of exposures is currently subject to more than one systemic risk buffer in Iceland.

<p>8. Miscellaneous</p>	
<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Mr. Jón Magnús Hannesson Tel: +354 569 9641 – jon.magnus.hannesson@sedlabanki.is Mr. Einar Jón Erlingsson Tel: +354 569 9699 - einar.jon.erlingsson@sedlabanki.is</p>
<p>8.2 Any other relevant information</p>	
<p>8.3 Date of the notification</p>	<p>Please provide the date on which this notification was uploaded/sent. 04/12/2024</p>