

## Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

- [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu) when notifying the ESRB;
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Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority	
<b>1.1 Name of the notifying authority</b>	Financial Market Authority Liechtenstein (FMA Liechtenstein)
2. Description of the measure	
<b>2.1 Concerned institution or group of institutions</b>	The following institutions have been identified as O-SIIs (on the highest level of consolidation): <ul style="list-style-type: none"> <li>- LGT Bank AG (LEI code: 7KDSOB6Z0X4S67TMX170)</li> <li>- Liechtensteinische Landesbank AG (LEI code: 529900OE1FOAM50XLP72)</li> <li>- VP Bank AG (LEI code: MI3TLH1I0D58ORE24Q14)</li> </ul>
<b>2.2 Level of the buffer applied</b>	The O-SII buffer for all identified institutions (see above, 2.1) has been set to 2%.
<b>2.3 Name of the EU ultimate parent institution</b>	<ul style="list-style-type: none"> <li>- LGT Group Foundation (LEI code: 5493009EIBTCB1X12G89)</li> <li>- Liechtensteinische Landesbank AG (LEI code: 529900OE1FOAM50XLP72)</li> <li>- VP Bank AG (LEI code: MI3TLH1I0D58ORE24Q14)</li> </ul>
<b>2.4 Names of subsidiaries</b>	n/a
3. Timing of the measure	
<b>3.1 Timing of the Decision</b>	20 November 2019
<b>3.2 Timing of the Publication</b>	26 November 2019
<b>3.3 Disclosure</b>	The results of the O-SII analysis are published on the website of the FMA Liechtenstein.

<b>3.4 Timing of Application</b>	1 January 2020																								
<b>3.5 Phasing in</b>	No phasing in.																								
<b>3.6 Review of the measure</b>	The level of the O-SII buffers will be reviewed annually. This analysis has been conducted based on data from 31 December 2018.																								
<b>4. Reason for O-SII identification and activation of the O-SII buffer</b>																									
<b>4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)</b>	<p>The following table shows the three identified O-SIIs along with their category scores (columns 1 to 4) and overall scores (column 5). The categories based on the EBA guidelines include:</p> <ul style="list-style-type: none"> <li>a. size (column 1);</li> <li>b. importance for the economy of the relevant Member State or the Union, capturing substitutability/financial institution infrastructure (column 2);</li> <li>c. complexity, including the additional complexities from cross-border activity (column 3);</li> <li>d. interconnectedness of the institution or (sub-)group with the financial system (column 4).</li> </ul> <table border="1" data-bbox="555 907 1430 1104"> <thead> <tr> <th></th> <th>(1)</th> <th>(2)</th> <th>(3)</th> <th>(4)</th> <th>Overall score (5)</th> </tr> </thead> <tbody> <tr> <td>LGT Bank AG</td> <td>5032</td> <td>2710</td> <td>6623</td> <td>6772</td> <td>5284</td> </tr> <tr> <td>Liechtensteinische Landesbank AG</td> <td>2651</td> <td>3600</td> <td>1847</td> <td>1852</td> <td>2488</td> </tr> <tr> <td>VP Bank AG</td> <td>1440</td> <td>1432</td> <td>910</td> <td>1095</td> <td>1219</td> </tr> </tbody> </table> <p>The standard methodology (based on the EBA guidelines) has been applied. Please refer to the attached Excel file.</p>		(1)	(2)	(3)	(4)	Overall score (5)	LGT Bank AG	5032	2710	6623	6772	5284	Liechtensteinische Landesbank AG	2651	3600	1847	1852	2488	VP Bank AG	1440	1432	910	1095	1219
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<b>4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)</b>	<p>Please provide information on:</p> <ul style="list-style-type: none"> <li>a. whether you followed the EBA guidelines on the assessment of O-SIIs: The identification of the O-SII follows the EBA guidelines according to EBA/GL/2014/10.</li> <li>b. which threshold score has been set to identify O-SIIs: The standard threshold of 350 basis points has been applied.</li> <li>c. which overall score is attributed to the O-SIIs: In total, the three identified O-SIIs' score sum up to 8991 basis points (see 4.1).</li> <li>d. which of the optional indicators have been used to justify supervisory assessment decisions, if any, and what are the scores: Banks' assets relative to Liechtenstein's GDP ("Total Assets / Member State's GDP")</li> <li>e. why these optional indicators are relevant for the Member State: Liechtenstein's banking sector is very large relative to the size of the economy, i.e. the indicator is appropriate to take into account this specific factor.</li> <li>f. why the bank is systemically important in terms of those particular optional indicators: According to the additional indicator ("Total Assets / Member State's GDP"), the three O-SIIs in Liechtenstein are not only the three largest banks in Liechtenstein, but the three largest banks in the whole EEA.</li> <li>g. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process: n/a</li> <li>h. names and scores of all relevant entities not excluded from the identification process (could be sent in a separate excel file, see 4.1):</li> </ul>																								

	<p>Please see attached Excel file.</p> <p>i. whether non-bank institutions have been included in the calculations: n/a</p>															
<b>4.3 Supervisory judgement</b>	No.															
<b>4.4 Calibrating the O-SII buffer</b>	<p>With regard to the calibration methodology, the FMA has defined three buckets with different buffer rates depending on the score. The categories differentiate the institutions according to their level of systemic importance depending on the respective score. Each identified institution has to hold an O-SII buffer of at least 1 %. Currently, all of the three identified O-SIIs are allocated to Bucket 1, i.e. signalling “very strong” systemic importance.</p> <table border="1"> <thead> <tr> <th>Scores</th> <th>Category</th> <th>O-SII Buffer</th> </tr> </thead> <tbody> <tr> <td>0 – 349</td> <td>No systemic relevance</td> <td>–</td> </tr> <tr> <td>350 – 674</td> <td>Bucket 3 – considerable systemic importance</td> <td>1.0%</td> </tr> <tr> <td>675 – 999</td> <td>Bucket 2 – strong systemic importance</td> <td>1.5%</td> </tr> <tr> <td>≥ 1000</td> <td>Bucket 1 – very strong systemic importance</td> <td>2.0%</td> </tr> </tbody> </table>	Scores	Category	O-SII Buffer	0 – 349	No systemic relevance	–	350 – 674	Bucket 3 – considerable systemic importance	1.0%	675 – 999	Bucket 2 – strong systemic importance	1.5%	≥ 1000	Bucket 1 – very strong systemic importance	2.0%
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<b>4.5 Effectiveness and proportionality of measure</b>	<p>The impact of the failure of a systemic bank on the domestic financial sector and the real economy is much larger than the impact of the failure of a non-systemic bank. By increasing the loss-absorbing capacity of systemic institutions, the probability of default is significantly reduced. Due to the large size of Liechtenstein’s O-SIIs relative to the domestic economy, we assess the applied O-SII buffers as being important for safeguarding financial stability.</p>															
<b>5. Cross-border and cross-sector impact of the measure</b>																
<b>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</b>	<p>The measure applies to Liechtenstein banks at the consolidated level. Theoretically, there could be an impact on individuals or companies outside of Liechtenstein through cross-border credits or exposures of subsidiaries and branches. However, given the current capitalisation of the identified banks – well above the regulatory requirements, including buffers – the FMA expects the impact to be very low (or even inexistent).</p>															
<b>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</b>	<p>Since the buffer is applied at the consolidated level, jurisdictional shifts of activities within the banking groups due to regulatory arbitrage are impossible. Additionally, given the high capitalisation of the identified institutions, the incentives to circumvent the measures are very limited.</p>															
<b>6. Combinations and interactions with other measures</b>																
<b>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</b>	n/a															

<p><b>6.2 Combinations with SRB buffers</b> <b>(Article 131.14 + Article 133.5)</b></p>	<p>The systemic risk buffer has also been re-calibrated, with the new buffer requirements entering into force on 1 January 2020. For the three identified O-SIIs in Liechtenstein, the following requirements apply:</p> <ul style="list-style-type: none"> <li>a. The level of the systemic risk buffer is set to 2% for the three O-SIIs.</li> <li>b. Is the systemic risk buffer applied to all exposures located in your Member State only? No, the systemic risk buffer is applied to all exposures.</li> <li>c. Is the systemic risk buffer applied at the same consolidation level as the O-SII buffer? The systemic risk buffer is applied both at the consolidated and at the individual level.</li> </ul>
<p><b>6.3 O-SII requirement for a subsidiary (Article 131.8)</b></p>	<p>In case the O-SII is a subsidiary of an EU parent institution which is subject to a G-SII or O-SII buffer on a consolidated basis, what is the G-SII or O-SII buffer rate on a consolidated basis of the parent institution?</p> <p>n/a</p>
<p><b>6.4 Interaction with other measures</b></p>	<p>How does the buffer requirement interact with other measures addressing the same risk (e.g. with other supervisory measures)?</p> <p>The O-SII buffer and the systemic risk buffer do not take effect cumulatively, i.e. only the higher buffer requirement applies. Therefore, we do not see any overlap in this regard.</p>

<p><b>7. Miscellaneous</b></p>	
<p><b>7.1 Contact person(s) at notifying authority</b></p>	<p>Martin Gächter, Head of Financial Stability / Macroprudential Supervision <a href="mailto:martin.gaechter@fma-li.li">martin.gaechter@fma-li.li</a>, +423 236 7392</p>
<p><b>7.2 Any other relevant information</b></p>	<p>The legal procedure is still pending. We expect the legal effect from 5 December 2019.</p>