Template for notifying the intended use of a systemic risk buffer (SRB)

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1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Financial Market Authority Liechtenstein (FMA Liechtenstein)
1.2 Type of measure intended (also for reviews of existing measures)	Which SRB measure do you intend to implement? - Activate a new SRB: The calibration method has been adapted to be more risk-sensitive. - Change the level of an existing SRB: From 2.5% to a maximum of 2% of total risk weighted assets. - Change the scope of an existing SRB (incl. changes to subset of institutions): The SRB now applies to more institutions.
2. Description of the notified measure	
2.1 Institutions covered by the intended SRB	The SRB (varying in size) applies to the following institutions: - LGT Bank AG (LEI code: 7KDSOB6Z0X4S67TMX170) – 2% - Liechtensteinische Landesbank AG (LEI code: 529900OE1FOAM50XLP72) – 2% - VP Bank AG (LEI code: MI3TLH1I0D58ORE24Q14) – 2% - Bendura Bank AG (LEI code: 529900XB6RQ3XCELQO62) – 1% - Bank Alpinum AG (LEI code: 529900K7I3TLNULZH805) – 1% - Union Bank AG (LEI code: 529900MK00MZH17O2A83) – 1% The SRB applies to the identified institutions both on the consolidated and individual level. Based on the characteristics of the Liechtenstein banking system, two main risk channels have been identified for the Liechtenstein banking system: (1) systemic vulnerability and (2) systemic cluster risk. The FMA applies several quantitative indicators regarding each systemic risk component as the SRB applies only to those banks, which are exposed to the identified systemic risks to a large extent. The indicators

	consider both direct and indirect factors regarding the systemic vulnerability and systemic cluster risks as well as proportionality criteria.
2.2 Buffer rate **(Article 133(11)(f) of the CRD)**	The following SRB rates apply to the respective institutions mentioned under 2.1. - LGT Bank AG (LEI code: 7KDSOB6Z0X4S67TMX170) – 2% - Liechtensteinische Landesbank AG (LEI code: 529900OE1FOAM50XLP72) – 2% - VP Bank AG (LEI code: MI3TLH1I0D58ORE24Q14) – 2% - Bendura Bank AG (LEI code: 529900XB6RQ3XCELQO62) – 1% - Bank Alpinum AG (LEI code: 529900K7I3TLNULZH805) – 1% - Union Bank AG (LEI code: 529900MK00MZH17O2A83) – 1%
2.3 Exposures covered by the SRB	Please indicate the exposures to which the SRB applies: - All exposures.
3. Timing of the measure	
3.1 Timing of the Decision	What is the date of the official decision? 26 November 2019
3.2 Timing of the Publication	What is the date of publication of the notified measure? 29 November 2019
3.3 Disclosure	Information about the communication strategy of the notified measure to the market. The decision on the SRB will be published in the Banking Ordinance (BankV) and on the FMA website (including explanatory notes and the recommendation of the Financial Stability Council (FSC) of Liechtenstein). Do you also intend to publish the justification for the SRB? The main systemic risks as well as a general justification for the SRB will be published.
3.4 Timing of Application	What is the intended date of activation (i.e. as of which date shall the measure be applicable)? 1 January 2020
3.5 Phasing in	What is the intended timeline for the phase-in of the measure? No phasing in.
3.6 Review/deactivation of the measure	In general, the SRB will be in place as long as the systemic risks prevail in the Liechtenstein banking sector. The appropriateness of the level and the scope of the measure will be reviewed at least every second year. The review of the assessment is based on a comprehensive set of risk-

	based indicators.
4. Reasons for the intended SRB	
4.1 Description of the long-term non-cyclical systemic risk in your Member State **(Article 133(11)a of the CRD)**	Systemic risks in the Liechtenstein banking sector have to be defined more broadly than in other countries. Risk-mitigating factors notwithstanding, the structural systemic risk in the Liechtenstein banking sector continues to be elevated. The FMA proactively identifies structural, non-cyclical systemic risks in the financial system in line with its financial stability mandate. For Liechtenstein, the FMA has identified two main sources of systemic risks: 1. Systemic vulnerability is an increased vulnerability of financial institutions against disturbances in the financial system, either due to the interconnectedness of one or more institutions among each other, with the financial system or the real economy. As a consequence, systemic vulnerability addresses risks that operate from the financial system to the institutions, the real economy and the public budget. In Liechtenstein, important factors for systemic vulnerability risks arise, among others, from similar cross-border exposures, contingent liabilities related to the deposit guarantee scheme as well as systemic risks resulting from institutional specifics and the prevailing business models of banks. 2. Systemic cluster risks arise due to substantial similar exposures and dependences of the banking industry. These similarities across financial institutions can lead to disturbances in the financial system and, as a consequence, severe negative effects to the real economy. A substantial cluster risk in Liechtenstein results, for example, from the high mortgage loans in banks' balance sheet in light of the high household indebtedness of the private household sector.
4.2 Reasons why the dimension of the long-term non-cyclical systemic risk threatens the stability of the financial system in your Member State **(Article 133(11)(b) of the CRD)**	The systemic risk buffer should mitigate systemic vulnerabilities of the banking sector against risks emanating from the financial system as a whole or of parts thereof by holding additional capital. The SRB increases the loss-absorbing capacity and thus the resilience of the Liechtenstein banking sector. The SRB will be applicable for those institutions that are most vulnerable to the identified systemic risks, as described above under 2.1. The buffer aims to reduce the future risk of a severe disruption to the Liechtenstein financial system resulting from systemic risks with the potential to negatively affect the real economy.
4.3 Indicators used for the activation of the measure	See explanation, question 2.1.
4.4 Effectiveness and proportionality of the measure **(Article 133(11)(c) of the CRD)**	The SRB aims to increase the risk-bearing capacity of the Liechtenstein banking system and, in a medium- and long-term perspective, to mitigate risks to the banking system in Liechtenstein. The additional SRB-related capital requirement is not expected to significantly affect GDP growth in Liechtenstein, as banks already have the required capital.
4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and 459 of the CRR, to address the	The O-SII buffer addresses systemic risks stemming from banks that in the event of their failure will likely lead to a significant risk for the stability of the financial system. In contrast, the SRB addresses the vulnerability of institutions to systemic risks emanating from the financial system. Pillar 2 requirements do not address structural systemic risks.

identified risks **(Article 133(11)(e) of the CRD)**	
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the internal market **(Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)**	The measure applies to Liechtenstein banks both at the individual and consolidated level. There may be an impact on individuals or companies outside of Liechtenstein through the exposures of the banks' subsidiaries and branches. However, given the current capitalisation level of the identified banks, the FMA expects the impact to be very limited or even non-existent.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	The O-SII buffer and the SRB are applied at the consolidated level, which avoids (jurisdictional) shifts of activities within the banking groups due to regulatory arbitrage. Identified banks may take measures to reduce their exposure to the systemic risk, possibly by shifting their activities to their non-regulated entities. However, due to the current capitalization level of the identified banks, we expect these incentives to be small.
5.3 Reciprocation by other Member States **(Article 134(4) of the CRD and Recommendation ESRB/2015/2)**	Does the authority request the ESRB to issue a recommendation to other Member States to reciprocate the measures in accordance with Article 134(4) of the CRD? What are the reasons for requesting or not requesting reciprocation? In case of requesting reciprocation, please provide a concise description of the measure to be reciprocated. If the ESRB deems the request for reciprocation justified, the provided description will form the basis of translation into all EU official languages as part of an update of Recommendation ESRB/2015/2. No.
6. Combination of the SRB with other buffers	
6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)	a. Is a G-SII buffer and/or O-SII buffer applied to the same institution? At which consolidation level? Yes, for the LGT Bank AG, Liechtensteinische Landesbank AG and VP Bank AG an O-SII buffer of 2% is also applied at the consolidated level. The SRB, however, applies both at the consolidated and individual level. b. In case a G-SII buffer and an O-SII buffer are both applied to the institution at a consolidated level, which one of the buffers is the highest? In Liechtenstein, if both buffers are applicable, the respective institution has to apply the higher of the two buffer rates. c. Can the SRB be applied cumulatively with the G-SII and/or O-SII buffer(s)? (Article 133(5) of the CRD) In case not, which buffer is the highest? No.
6.2 Other relevant information	N/A.

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Martin Gächter, Head of Financial Stability / Macroprudential Supervision martin.gaechter@fma-li.li, +423 236 7392
7.2 Any other relevant information	