

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

Please send this template to

- [notifications@eba.europa.eu](mailto:notifications@eba.europa.eu) when notifying the EBA.

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 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)	<p>Which SRB measure do you intend to implement?</p> <ul style="list-style-type: none"> <li>- Activate an existing SRB of min. 2.5% (according to national law in Liechtenstein) of total RWA (calculated in accordance with Art. 92 para 3 of CRR (EU) No. 575/2013 for systemic relevant institutions</li> </ul>
2. Description of the notified measure	
2.1 Institutions covered by the intended SRB	<p>The SRB in Liechtenstein has been applied by the following institutions:</p> <ul style="list-style-type: none"> <li>- LGT Group Foundation (LEI code: 5493009EIBTCB1X12G89) and LGT Bank AG (LEI code: 7KDSOB6Z0X4S67TMX170)</li> <li>- LLB Group and Liechtensteinische Landesbank AG (LEI code: 529900OE1FOAM50XLP72)</li> <li>- VP Bank Group and VP Bank AG (LEI code: MI3TLH1I0D58ORE24Q14)</li> </ul> <p>The SRB is applied on a stand-alone and on a consolidated level.</p>
2.2 Buffer rate (Article 133(11)(f) of the CRD)	The buffer rate has been set at 2.5% of RWA (as described above) on a stand-alone and on a consolidated level for the year starting 1 January 2018.
2.3 Exposures covered by the SRB	<p>Please indicate the exposures to which the SRB applies:</p> <ul style="list-style-type: none"> <li>- All exposures (total RWA)</li> </ul>
3. Timing of the measure	
3.1 Timing of the Decision	The decision has been taken as 15 December 2017
3.2 Timing of the Publication	What is the date of publication of the notified measure? – We have notified EBA and the other relevant European Authorities as of 22 December

	2017.
<b>3.3 Disclosure</b>	Do you also intend to publish the justification for the SRB? – Yes, the relevant information will be separately disclosed on FMA's website.
<b>3.4 Timing of Application</b>	The activation of the SRB is as 1 January 2018 (application unchanged in comparison to 2017).
<b>3.5 Phasing in</b>	n/a
<b>3.6 Review/deactivation of the measure</b>	The SRB rate and the respective institutions will be reviewed at least annually.
<b>4. Reasons for the intended SRB</b>	
<b>4.1 Description of the long-term non-cyclical systemic risk in your Member State</b> <b>(Article 133(11)a of the CRD)</b>	<p>The long-term non-cyclical systemic risks stem from the structural vulnerabilities of Liechtenstein's economy. The economy in Liechtenstein is primarily vulnerable because it is small and open. This let problems caused by unforeseen negative shocks emerge rapidly and to a large extent.</p> <p>The risks are amplified by various structural factors, notably the high proportion in Private Banking/ Wealth Management of international client and the very bank-centred financial sector.</p>
<b>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</b> <b>(Article 133(11)(b) of the CRD)</b>	Potential destabilisation of the relevant institutions may undermine the financial stability in Liechtenstein. The banking sector plays the key role in Liechtenstein's financial system and the entire economy. The Liechtenstein banking sector is characterised by a relatively high degree of concentration (the relevant banks represent about 90% (reference: total assets) of the entire banking sector). Further, sources of vulnerabilities represent common significant exposures to main sectors: residential/commercial real estate and non-financial corporate sector. Since Liechtenstein's economy is highly open and production is export-oriented, both sectors are strongly sensitive to swings in external conditions.
<b>4.3 Indicators used for the activation of the measure</b>	<p>The indicators used for activating the measure are:</p> <p>a) The size and openness of the economy</p> <p>b) The size of the institutions in relation to the overall banking sector</p> <p>c) The importance of the banking sector to the financing of the economy.</p>
<b>4.4 Effectiveness and proportionality of the measure</b> <b>(Article 133(11)(c) of the CRD)</b>	Effectiveness and proportionality of the measure will be ensured by the fact that both; the choice of the relevant institutions to maintain the buffer and the level of the buffer are determined on the basis of their systemic importance. We expect the buffer to prevent the relevant banks from letting their capital adequacy fall to uncomfortably low levels in the future.
<b>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 identified risks</b> <b>(Article 133(11)(e) of the CRD)</b>	<p>The intended measure is expected to ensure high resilience of banks with the most systemic impact and thus the financial sector as a whole. While in principle the other systemically important institutions (O-SII) buffer might be used for such purpose as well, the use of the O-SII buffer cannot serve the purpose due to the horizon of application and its size.</p> <p>The FMA thus deems necessary to continue to use this measure in the form of the SRB.</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</b> <b>(Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)</b>	<p>The measure applies to Liechtenstein banks at a stand-alone and a consolidated level; there may be an impact on individuals or companies outside of Liechtenstein through exposures of subsidiaries and branches. However, given the current capitalisation level of the identified banks, FMA expects the impact to be limited.</p>
<b>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</b>	<p>The O-SII buffer and the SRB are applied at the consolidated level, which avoids (jurisdictional) shifts of activities within groups due to regulatory arbitrage. Systemic banks may take measures to reduce their systemic importance, possibly including as shift of activities to non-regulated entities. However, due to the current capitalisation level of the identified O-SII, we expect these incentives to be small.</p>
<b>5.3 Reciprocation by other Member States</b> <b>(Article 134(4) of the CRD and Recommendation ESRB/2015/2)</b>	n/a
<b>6. Combination of the SRB with other buffers</b>	
<b>6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)</b>	<ol style="list-style-type: none"> <li>a. O-SII buffer is also applied on a consolidated level, the SRB at a consolidated and stand-alone level.</li> <li>b. In Liechtenstein, if both buffers are applied the relevant has to apply the highest buffer rate of the both rates. Currently, the SRB rate of 2.5% has been applied on consolidated level.</li> </ol>
<b>6.2 Other relevant information</b>	n/a
<b>7. Miscellaneous</b>	
<b>7.1 Contact person(s) at notifying authority</b>	<p>Andreas Stifel, Banking Division, Senior Specialist Supervision Section, <a href="mailto:andreas.stifel@fma-li.li">andreas.stifel@fma-li.li</a>, Phone +423 236 76 44</p>
<b>7.2 Any other relevant information</b>	-