



AUSSCHUSS
FÜR FINANZMARKTSTABILITÄT

29 June 2020: Recommendation on the application of the countercyclical capital buffer (AFMS/2020/1)

Pursuant to Article 33b(2)(d) of the Financial Market Supervision Act (FMAG), the Financial Stability Council (FSC) has recommended to the Government in its meeting on 29 June 2020 to retain the countercyclical capital buffer (CCyB) at a rate of 0% of risk-weighted assets, as there are currently no signs of excessive credit growth in Liechtenstein.

The purpose of the buffer is to build up an additional capital reserve in times of excessive credit growth by financial institutions to cushion losses in the event of a crisis. The basis for the buffer decision is the so-called credit gap, i.e. the deviation of the private sector debt ratio relative to GDP from its long-term trend. The estimate of the credit gap, which is calculated on the basis of household debt and mortgage loans, currently yields a positive value and would therefore imply an increase in the buffer from a purely technical, rules-based perspective. A closer analysis shows, however, that the increase in the credit gap is mainly due to the expected decline in GDP and that there is still no evidence of excessive lending. Against the background of the current global recession and under consideration of other indicators linked to the development of cyclical risks in Liechtenstein, the FSC therefore concluded that an increase in the countercyclical capital buffer is currently not recommended.

The FSC continuously monitors the development of cyclical risks in the financial sector and will adapt the recommendation regarding the level of the countercyclical capital buffer if deemed necessary.