



AUSSCHUSS
FÜR FINANZMARKTSTABILITÄT

29 June 2020: Recommendation on the implementation of ESRB Recommendations 2020/6, 2020/7 and 2020/8 on ensuring financial stability in the context of the COVID-19 pandemic (AFMS/2020/3)

In its meeting on 29 June 2020, the Financial Stability Council (FSC) recommended pursuant to Article 33b(2)(d) of the Financial Market Supervision Act (FMAG) that the FMA implement the recently published ESRB recommendations in the context of the COVID-19 pandemic.

ESRB Recommendation 2020/6 deals with liquidity risks due to margin calls, which may occur to a greater extent in times of financial market turbulence. While the ESRB Recommendation is only partially relevant for Liechtenstein, as there is no central counterparty (CCP) operating in Liechtenstein, the FSC recommends that the FMA consider the recommendations relevant for Liechtenstein in its regular supervision activities and implement them accordingly.

ESRB Recommendation 2020/7 provides for a restriction of dividend distributions, share buy-backs, and payments of variable remuneration to material risk takers for banks, insurance and reinsurance undertakings, and central counterparties until the end of the year in order to strengthen the quantity and quality of own funds of financial intermediaries in the context of the COVID-19 pandemic. In principle, the FSC supports the ultimate objectives of the recommendation to prevent a spillover of the downturn of the real economy to the financial sector, allowing the financial sector to play an important supportive role in the following economic recovery. Against the background of the current global recession, a prudent and cautious distribution policy in the financial sector therefore remains essential. However, considering the special characteristics of the financial sector in Liechtenstein, especially the well above-average capitalization of the Liechtenstein banking and insurance sectors, as well as the legal framework, a general prohibition of dividend distributions, share buy-backs, and payments of variable remuneration to material risk takers in Liechtenstein is not considered being proportional in light of the objectives of the Recommendation. The FSC therefore recommends the FMA not to implement the respective ESRB Recommendation in Liechtenstein.

ESRB Recommendation 2020/8 requires the national macroprudential authorities to monitor the financial stability implications of the fiscal measures taken to support the real economy in the context of the COVID-19 pandemic. In this context, the FSC recommends that the FMA establish a respective monitoring, as proposed in the Recommendation, and regularly report the results of the analysis to the ESRB. The FSC recommends the Government to make the data for this analysis available to the FMA.