



# **Contribution Calculation Method**

## **Deposit Guarantee Fund**

**Intended for website publication**

**Status: December 2024**

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# Goals & principles

- The contribution calculation method ensures that
  - the financing costs of the deposit guarantee scheme are borne by the banks,
  - the target level is reached within the envisaged period and
  - incentives for excessive risk-taking are mitigated.
- The contribution calculation method
  - fulfils the legal requirements,
  - implements the applicable guidelines of the European Banking Authority (EBA/GL/2023/02),
  - is easy to use without additional efforts for banks,
  - is designed to be fair, objective, transparent and comprehensible,
  - uses publicly available and third-party audited calculation data as far as possible and
  - is coordinated with the Financial Market Authority (FMA) and the banks.

# Mandatory components pursuant to EBA guidelines

## Component 1

Calculation formula

- $C_i$ : Periodic contribution from member institution 'i'
- CR: Contribution rate (identical for all member institutions)
- $ARW_i$ : Aggregate risk weight for member institution 'i'
- $CD_i$ : Covered deposits for member institution 'i'
- $\mu$ : Adjustment coefficient (identical for all member institutions)

## Component 2

Method and thresholds for the aggregate risk weight (ARW)

- ARW using 'bucket' or 'sliding scale' method
- Lower boundary: between 50 % and 75 %
- Upper boundary: between 150 % and 200 %
- Definition upper and lower boundary  $a_j$  resp.  $b_j$  for calculating the individual score of each risk indicator ( $IRS_j$ )

## Component 3

Risk indicators and weights

- Capital
- Liquidity and funding
- Asset quality
- Business model and management
- Potential losses for the deposit guarantee scheme

# Applied calculation components (1/2)

Component pursuant to EBA guidelines (GL)	GL reference	EAS application
Calculation formula	14	Application of the ordinary formula (flow-based method): $C_i = CR * ARW_i * CD_i * \mu$
Contribution rate (CR) $CR = \frac{\text{periodic target amount}}{\sum_{i=1}^n CD_i}$	15	The contribution rate is determined annually and is a result of the annual calculation of the necessary periodic target amount compared to the funds still required to achieve the target level, based on the current amount of covered deposits.
Minimum periodic target amount	16	$= \frac{\text{minimum target level for qualified financial means}}{\text{remaining periods until the minimum target level has to be reached}}$
Covered deposits (CD)	23/24	Banks determine the amount of covered deposits according to the applicable Single Customer View (SCV) specification.
Adjustment coefficient ( $\mu$ ) $\mu = \frac{\sum_{i=1}^n CD_i}{\sum_{i=1}^n ARW * CD_i}$	25	Rule-based determination of the adjustment coefficient so that the required annual target amount is reached.
Use of options	72b	Minimum contribution pursuant to Article 20 para. 7 EAG: $C_i = \text{Max} \{MC; (CR_{MC2} * ARW_i * CD_i * \mu)\}$

# Applied calculation components (2/2)

Component pursuant to EBA guidelines (GL)	GL reference	EAS application
Risk indicators and weights	29-48	Core indicators and weightings pursuant to the EBA guidelines supplemented by two additional indicators (see slide 7): <ul style="list-style-type: none"> <li>Resilience Ratio</li> <li>Pillar 2 Requirement (P2R)</li> </ul>
Determination of the upper and lower boundaries ( $a_j$ resp. $b_j$ ) for calculating the individual score of each risk indicator ( $IRS_j$ )	49/50 56/57	The statistical boxplot method with an IQR factor = 1 is used by default to determine the upper and lower boundaries with the following restriction. For risk indicators that are defined as minimum regulatory requirements, a fixed upper and lower boundary is set based on expert judgement in order to make the model fair and objective. The individual risk score is calculated using the sliding scale method.
Calculation of the aggregate risk weight (ARW)	59/60 67-70	Using the sliding scale method
Thresholds for the aggregate risk weight (ARW)	61-64	Based on comparable business models, the ARW range is set between 75-150 %.

# Risk indicators

Risk indicators (in %)	EBA minimum weights	Applied weights	Upper and lower boundaries
Leverage Ratio	10	10	4 - 9 %
Common Equity Tier 1 ration (CET1 Ratio)	10	10	15 - 30 %
Resilience Ratio	n.a.	10	Result of boxplot
Liquidity Coverage Ratio (LCR)	5	5	110 - 200 %
Net Stable Funding Ratio (NSFR)	10	10	110 - 160 %
Non-performing loans Ratio (NPL Ratio)	12.5	15	Result of boxplot
Risk Weighted Assets Ratio (RWA Ratio)	5	5	Result of boxplot
Return on assets (RoA)	10	10	Result of boxplot
Pillar 2 Requirement (P2R)	n.a.	12.5	0 - 5 %
Ratio of covered deposits to unencumbered assets	12.5	12.5	Result of boxplot
<b>Total</b>	<b>75</b>	<b>100</b>	

# Application notes (1/2)

## Regulatory framework

- The contribution calculation method is used both for the calculation of annual contributions (ex ante) pursuant to Article 18 EAG and for extraordinary contributions (ex post) pursuant to Article 19 EAG.
- The contribution calculation method used has been approved by the FMA (Article 20 para. 2 EAG).
- The FMA informs the EBA about the method used (Article 20 para. 4 EAG).
- Pursuant to Article 20 para. 6 and 6a EAG, the EAS must disclose the approved contribution calculation method to the banks and publish it on the website.
- The invoiced amount corresponds to the calculated amount, at least the minimum contribution (Article 20 para. 7 EAG resp. point 72b EBA guidelines)

# Application notes (2/2)

## Contribution calculation procedure & payment process

- Contributions are calculated annually by EAS based on the information provided by the banks as at 31 December.
- The reporting form is provided by the EAS in Excel format.
- Reported data is checked by EAS on the basis of publicly available information or by its own control measures.
- The contributions are calculated in a separate software application which is certified by the statutory auditors in accordance with the ISAE 3000 (Revised) standard.
- Invoices are issued around autumn.
- The contributions must be paid to EAS resp. secured (payment commitment, Article 18 para. 3 EAG) by end of November.



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