

## **Information about the setting of the buffer rate for the systemic risk buffer targeting loans in the Faroe Islands**

The Minister of Business, Industry and Financial Affairs announced on 27 September 2024 that the government has decided to raise the buffer rate on the systemic risk buffer following a recommendation from the Systemic Risk Council. The ministry, as the authority for the systemic risk buffer, hereby publishes the following information about the buffer, cf. notice on the Calculation of the Systemic Buffer (BEK no. 1586 of 6/12/2023 for the Faroe Islands) § 5:

a. the systemic risk buffer rate or rates

- The buffer rate is 3% of the total risk-weighted exposures.

b. the institutions to which the systemic risk buffer applies

- The buffer applies to all credit institutions.

c. the exposures to which the systemic risk buffer rate or rates apply

- The buffer applies to all exposures in the Faroe Islands.

d. the justification for setting or resetting the systemic risk buffer rate or rates

- The buffer is activated following a recommendation from the Systemic Risk Council. The Faroese economy is small and open with a concentrated economic structure, heavily dependent on fishing and fish-breeding. This makes the economy vulnerable to negative economic shocks, which through direct and indirect effects can cause losses in the banking sector and amplify fluctuations in the real economy. See the Systemic Risk Council's recommendation for more details on the background of the buffer.

<https://risikoraad.dk/nyheder/2024/juni/forhoejelse-af-den-systemiske-buffersats-paa-faeroerne>

e. the date from which the institutions apply the establishment or resetting of the systemic buffer

- The buffer applies from July 1st, 2025.

f. the names of the countries where exposures found in these countries are recognised in the systemic buffer.

- Exposures in the Faroe Islands are included.