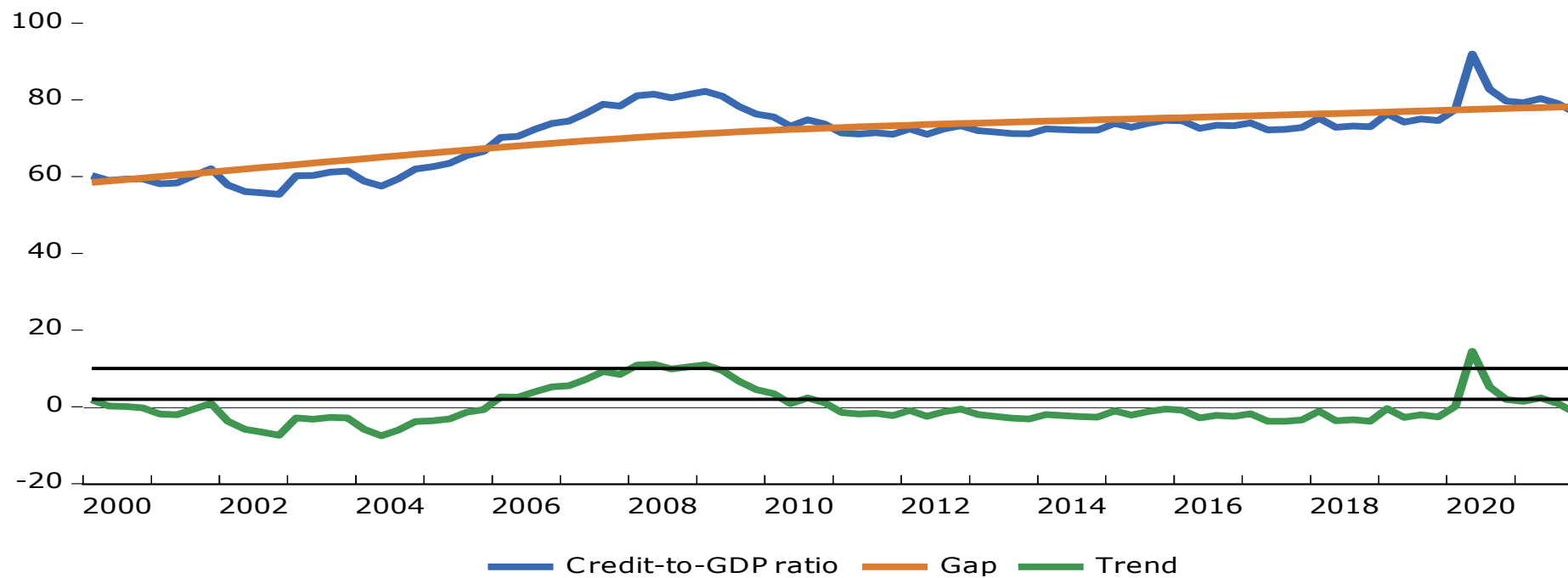


Countercyclical Capital Buffer (CCyB)



The countercyclical capital buffer (CCyB) framework provides macroprudential supervisors with a tool to adjust the capital requirements for banks in order to protect the financial system from the boom and bust phases of the financial cycle. The Financial Stability Committee (FSC) of the SARB is responsible for setting the CCyB rate, which forms an integral part of the internationally agreed-upon standards for risk-based capital requirements.

The credit-to-GDP gap is designed to take the macro-financial environment in which banks operate into account, and is the main indicator that informs the activation of the CCyB. Banks would be required to implement the CCyB when the credit-to-GDP moves to and remains above its long-term average and after taking into account all relevant information, the FSC decides to activate the buffer.

The credit-to-GDP gap has remained mostly negative since 2011 and although it breached the Basel guide for CCyB activation in the second quarter of 2020, the rapid upward trend in the gap is being driven by a collapse in economic activity instead of credit growth.

At its most recent meeting the FSC decided to leave the CCyB unchanged at 0%.

