

Communication

PRESS RELEASE

Madrid, 16 May 2024

The Banco de España initiates the procedure to revise the framework for setting the countercyclical capital buffer and to establish the buffer rate from 2024 Q4

Within its remit, the Banco de España has embarked on a revision of the framework for setting the countercyclical capital buffer (CCyB) required of institutions for their exposures located in Spain. It has also initiated the procedure to establish a positive CCyB rate from 2024 Q4, having identified a standard level of cyclical systemic risk (an intermediate level between high and low risk), a situation in which, under the revised framework, activation of the CCyB would be advisable.

Specifically, the Banco de España intends to set the CCyB rate from 2024 Q4 at 0.5%, to be applicable from 1 October 2025. Subsequently, and provided that cyclical systemic risks remain at a standard level, the Banco de España will foreseeably raise the CCyB rate to 1% from 2025 Q4, to be applicable from 1 October 2026. This second increase in the buffer rate will require a new decision, separate from the one subject to this public notice, that will be subject to a new public notice at the appropriate time. In any event, the Banco de España may revise or even reverse this plan should important information emerge that would advise same.

This proposed macroprudential policy measure is based on an extensive revision of the Banco de España's methodological framework for setting the CCyB, for which a public consultation is being launched today. Although this consultation is not mandatory, the Banco de España considers it necessary on account of the relevance of the methodological change involved. The revision incorporates the experience gained over the last decade in Spain and in other jurisdictions on the use of this macroprudential tool.

The most remarkable change is the association of a CCyB rate of 1% with a standard level of cyclical systemic risk (an intermediate level between high and low risk). Under the previous framework, the CCyB would only be activated in the event of high cyclical systemic risk.

Under the revised framework, as in the past, the buffer will be released when cyclical systemic risks materialise or in the event of an adverse shock to the banking system. Once the buffer has been released, the Banco de España will announce its expectations for its subsequent gradual reactivation, albeit in no circumstances before cyclical systemic risks return to a standard level. Moreover, in accordance with the regulations, from that point on the decision to reactivate the CCyB would generally require banks to be given one year's notice.

Since 2016, when the CCyB first entered into force in the prudential framework of different jurisdictions worldwide, knowledge of how it can be most effectively used has grown significantly. Specifically, more is known about the suitability of the indicators used to measure the level of cyclical systemic risk, and about the costs and benefits of activating and releasing the CCyB at different stages of the macro-financial cycle. This has led specialised international fora and organisations to advocate a more proactive use of this buffer, which in practice means that it should be activated ahead of standard cyclical systemic risk situations. Such considerations are being shared and implemented by many authorities in European Union Member States.

To enable a more proactive use of this macroprudential tool in Spain, a new integrated framework for monitoring cyclical systemic risk has been developed, which forms part of the CCyB-setting framework and, therefore, of the public consultation. This monitoring framework combines a synthetic indicator aggregation system with complementary information on the macro-financial environment. Once approved, this will mean not only that integrated analytical treatment of certain indicators that have already been used to complement the credit-to-GDP gap in this field, such as the output gap, will be possible, but also that other relevant dimensions, such as indicators that capture the situation of the banking system, may also be included. All with the aim of better identifying the different dimensions and the level of cyclical systemic risk.

Setting a positive CCyB rate when cyclical systemic risk is at a standard level will strengthen the resilience of the banking sector in economic downturns, thereby helping to ensure that the provision of bank financing to the real economy is more stable over the macro-financial cycle. In this way, the CCyB will help to reduce cyclical volatility in the financial system and the Spanish economy. Moreover, if the CCyB is activated in a macro-financial environment with a standard level of cyclical systemic risk, it will be possible to build it up gradually, thus reducing the need for a faster build-up when cyclical systemic risk reaches a higher level. A more complete description of the Banco de España's revision of the CCyB-setting framework can be found in the methodological document available in the section of the Banco de España's website on the [CCyB](#).


This press release launches the public consultation on the Banco de España's revised framework for setting the CCyB and gives public notice of the proposal to set the CCyB rate for 2024 Q4. Comments on both proposals may be made within 20 working days of publication in the Official State Gazette of notice of the start of the public notice period. All interested parties may submit any comments or opinions they deem appropriate, by 13 June 2024 at the latest, via the macropru@bde.es mailbox or by any other lawful means.

In accordance with the corresponding regulations, the Banco de España has informed the European Central Bank and AMCESFI, the Spanish macroprudential authority, of the content of the proposal for a CCyB rate of 0.5% on exposures in Spain for 2024 Q4, drawn up according to the new framework proposed for setting this buffer rate. AMCESFI has issued a consultative opinion backing the setting of this CCyB rate, which can be consulted on its [website](#).

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