

OPINION

On the macroprudential measure adopted by the Banco de España in relation to the countercyclical capital buffer rate applicable to exposures located in Spain from 2024 Q4 onwards

Background

On 8 May 2024 the Banco de España informed AMCESFI, the Spanish macroprudential authority, of its intention to set a countercyclical capital buffer (CCyB) rate of 0.5% on the relevant exposures located in Spain from 2024 Q4 onwards, to be applicable from 1 October 2025, in line with its revised methodological framework for setting this macroprudential requirement.

AMCESFI is tasked, inter alia, with issuing opinions on proposed macroprudential measures notified by the sectoral supervisory authorities, pursuant to Article 11 of Royal Decree 102/2019 of 1 March 2019, whereby AMCESFI was created, its legal framework was established and certain aspects relating to macroprudential tools were implemented.

AMCESFI considers that the application of the proposed macroprudential measure affects all credit institutions with exposures in Spain, as well as any specialised lending institutions that are not SMEs.

Description and assessment of the measure

The Banco de España has initiated the procedure to revise its framework for setting the CCyB. Under this framework, the plan is to set a positive CCyB rate of 1.0% when cyclical systemic risk is found to stand at a standard level (an intermediate level between high and low risk). This calibration is based on the capital charge that the impact of shocks of varying intensity entail for banks, based on the results of the stress tests. This revision by the Banco de España of the framework for setting the CCyB is consistent with various recent initiatives led by international fora and organisations.

On the global front, in 2022 the Basel Committee on Banking Supervision published a newsletter stating that its 2010 guidance on the CCyB left open the possibility of implementing a positive cycle-neutral CCyB rate when risks are judged to be neither subdued nor elevated.¹

¹ Basel Committee on Banking Supervision. (2022). "Newsletter on positive cycle-neutral countercyclical capital buffer rates".

The European Central Bank has repeatedly encouraged the countries comprising the banking union to build up releasable macroprudential space while avoiding procyclical effects. With this in mind, it has specifically envisaged building up a positive level of the CCyB in scenarios in which cyclical systemic risk is at an intermediate level.²

More recently, in their conclusions on the Article IV mission for Spain,³ the International Monetary Fund (IMF) staff recommend implementing a positive neutral CCyB rate to make the financial system more resilient and enable it to provide greater support to economic growth, even in downturns. The IMF staff also recommend that a decision on this matter be taken soon, given the current favourable climate of the Spanish banking sector in terms of business profitability.

Against this backdrop, the Banco de España proposes building up a CCyB when cyclical systemic risk is found to stand at a standard level. This proposal is backed by an indicator-based analysis and a supplementary analysis, drawing on both quantitative and qualitative information. All of this with a view to capturing the different dimensions of cyclical systemic risks, above and beyond those relating to credit developments over time. While lending is currently relatively weak, far from a high level of systemic risk, the broader set of indicators (in particular, the output gap and other macroeconomic activity indicators, indicators of house price imbalances and the financial position of the banking system) falls within a range compatible with a standard level of cyclical systemic risk.

In any event, in order to minimise any potential associated costs in the short term (in terms of growth in lending and economic activity), the CCyB will be built up gradually.

Thus, a CCyB rate of 0.5% would be set on exposures located in Spain as from 1 October 2024, applicable from 1 October 2025 (12 months later). Subsequently, as from 1 October 2025 and provided that cyclical systemic risk remains at a standard level, the Banco de España intends to raise the CCyB rate to 1.0%, applicable as from 1 October 2026, in line with the established framework. The Banco de España may revise or even reverse this plan should important information emerge that would advise same. In any event, the Banco de España must again notify this higher 1% CCyB rate in order to gather feedback from AMCESFI.

Conclusion

AMCESFI considers that the Banco de España's new framework for setting the CCyB, which envisages a 1.0% rate when cyclical systemic risks stand at a standard level and is based on the analysis of a broad set of indicators and a supplementary analysis, is appropriate and is in line with the international best practices. Moreover, given the potential costs associated with the activation of this buffer (in terms of growth in lending and economic activity), AMCESFI considers it essential that the framework provides for a gradual build-up of the CCyB, to minimise such costs.

² See *ECB Financial Stability Review*, November 2023, and "A positive neutral rate for the countercyclical capital buffer – state of play of the banking union" (*ECB Macprudential Bulletin*, Issue 21, April 2023).

³ See "Spain: Staff Concluding Statement of the 2024 Article IV Mission", April 2024.

In this regard, in the current environment, AMCESFI takes a favourable view of the Banco de España's proposal to set an initial CCyB rate of 0.5% on exposures located in Spain as from 2024 Q4, to be applicable from 1 October 2025. It also takes note of the Banco de España's plan to raise this rate to 1.0% from 2025 Q4, to be applicable from 1 October 2026. Furthermore, it considers it particularly important that the Banco de España remains open to modifying the plan envisaged, raising the CCyB on a more gradual basis, extending it over more years or even reversing the proposal notified, depending on the specific circumstances. Making use of the room for manoeuvre envisaged in the framework will ensure that the instrument is put to the best use, minimising the costs and maximising the benefits of its implementation.

The application of this new macroprudential measure will make the credit and specialised lending institutions operating in Spain more resilient at consolidated level, contributing to the goal of ensuring the stability of the financial system and the overall economy and, ultimately, yielding greater economic growth and social well-being.

Pursuant to Article 14 of Royal Decree 102/2019, this opinion shall be published on AMCESFI's website on the same date as the Banco de España publishes this proposed macroprudential measure.

Approved by the Council of AMCESFI on 14 May 2024.

Disclaimer: This is an English translation, for information purposes, of the Opinion issued by AMCESFI on the macroprudential measure adopted by the Banco de España in relation to the countercyclical capital buffer rate applicable to exposures located in Spain from 2024 Q4 onwards. In the event of any discrepancies between the English and the Spanish versions of the document, the Spanish version shall prevail.