



A neutral brief on positive neutral CCyB*

What are the pros and cons of a positive neutral CCyB framework in Slovakia?

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Prior to the COVID-19 outbreak, the average CCyB rate in the euro area reached only 0.35%. This very low level intensified discussions on macroprudential space and about “positive neutral CCyB”. Today, the average CCyB rate in the EA has more than doubled. This can be largely attributed to more widespread implementation of positive neutral CCyB frameworks across the EU countries. The ECB has also recently taken an active role in promoting this approach.

Positive neutral frameworks have already borne their fruit. Many countries shifted from a rather loose policy stance to setting non-zero CCyB rates. With a bit of exaggeration, some macroprudential authorities moved from a harsh battlefield of difficult negotiations with political headwinds into an atmosphere where raising the CCyB appears almost effortless. This may lead to a type II error (CCyB increases when risks are not actually rising), thereby discouraging banks from fully using the capital space created by the buffer release.

In our policy brief, we acknowledge undisputable benefits of positive neutral CCyB frameworks. At the same time, we highlight: some potential frictions and open some additional considerations regarding the role and optimal design of the CCyB.



The CCyB was never intended to solve every crisis, nor to stabilize the entire financial system. Some shocks simply lie beyond its scope.



Abandoning the traditional cyclical concept risks diluting the principle of a buffer “dedicated a clearly defined type of risk”



The release phase of positive neutral frameworks has not yet been tested and may result in structurally higher capital requirements



Methodological orthodoxy and transparency are fundamental to ensuring predictability and consistency in macroprudential decision-making

*We are grateful for the comments and suggestions received from Marek Ličák, Joan Paredes and Jan Klacso.

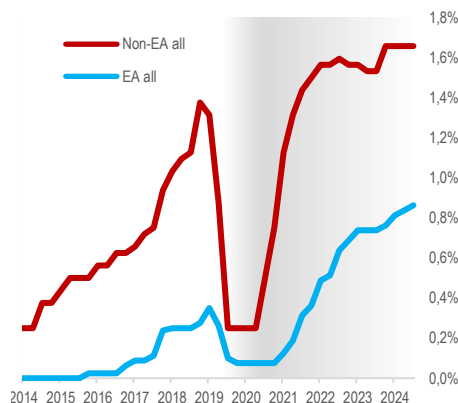
The first decade with CCyB

During the last decade, the countercyclical capital buffer (CCyB) has become the most actively used macroprudential instrument in the EU+.¹ The first three European countries to increase their CCyB rates already between 2014 and 2015 were Norway, Sweden, and the Czech Republic, all countries outside the euro area. A few years later, just before the COVID-19 pandemic, the average CCyB rate in non-euro area countries was roughly four times higher than in euro area countries (see Chart 1). This striking difference helps to explain why, in spring 2020, the European Central Bank (ECB) took the unprecedented microprudential decision to “release” the capital conservation buffer for all euro area banks.² Such an emergency microprudential release opened a question why euro area macroprudential authorities including the ECB, have not built sufficient macroprudential space prior to the COVID-19 pandemic.³ Hence, discussions among macroprudential authorities became more focused on “macroprudential space” and “releasable buffers”.

Since the pandemic, awareness of the CCyB as an effective macroprudential instrument has increased substantially. Within the EU+, the number of CCyB-increase decisions rose sharply after 2021. From 2021 to 2023, EU+ macroprudential authorities issued 39 decisions to raise CCyB rates, compared with 26 decisions during 2017 – 2019 (Chart 2). Indeed, pandemic experience demonstrated that the CCyB provides the most efficient, if not the only, releasable capital in times of stress. In contrast to the SyRB or O-SII, which are addressing specific pockets of vulnerabilities or are tied to rather binding methodologies, the CCyB can be fully released without any controversy.^{4, 5} This gives macroprudential authorities effective macroprudential space. Furthermore, when releasing the CCyB, macroprudential authorities must specify a period during which the buffer will not be rebuilt. This commitment provides essential certitude for banks’ capital planning. Without such guidance, banks would be reluctant to use the capital freed by the buffer release.

Chart 1

CCyB levels in EA are materially lagging behind non-EA countries

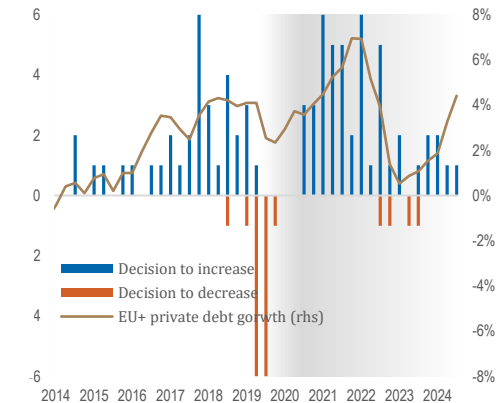


Source: ESRB.

Notes: Charts include data for EU countries and Norway. Private credit growth of EU+ is calculated as median private credit growth of EU+ countries.

Chart 2

Number of CCyB hikes rose mostly after the pandemic



¹ For the purpose of this article, EU+ denotes EU countries and Norway.

² <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200312~45417d8643.en.html>

³ Review of the EU Macroprudential Framework for the Banking Sector, March 2022;

Herrera, L., Scalone, V., Pivorano, M., (2024), The importance of being positive: costs and benefits of a positive neutral rate for the countercyclical capital buffer, ECB, Macroprudential Bulletin 24, June 2024.

⁴ Systemic risk capital buffer.

⁵ Capital buffer for other systemically important institutions.

The rise of the CCyB rates across Europe after the pandemic went hand in hand with growing adoption of positive neutral CCyB frameworks. In many countries, introducing such frameworks acted as a catalyst for setting the first non-zero CCyB rates. Following the pandemic, the increase in the number of countries applying a non-zero rate closely mirrored the growing number of countries adopting the positive neutral CCyB framework (Chart 3). In other words, the adoption of a positive neutral CCyB concept made it significantly easier for authorities to raise the CCyB, including in periods when excessive credit growth was not present. As a result, there were 24 European countries with non-zero CCyB in June 2025 compared to just 12 countries before the COVID-19 pandemic outbreak. And while the number of countries with a non-zero CCyB rate increased, the median rate among these countries slightly declined relative to pre-pandemic levels (Chart 4). The nature of resilience across European countries shifted from “higher in few” to “lower in many”. The EU-wide median rate reached 1% only in 2023, after almost a decade at 0%, a development that aligns with expectations under the positive neutral framework.

Chart 3

Number of countries with non-zero CCyB rate grew along implementations of positive neutral frameworks

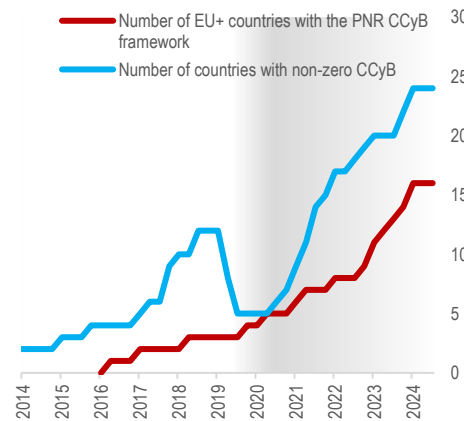
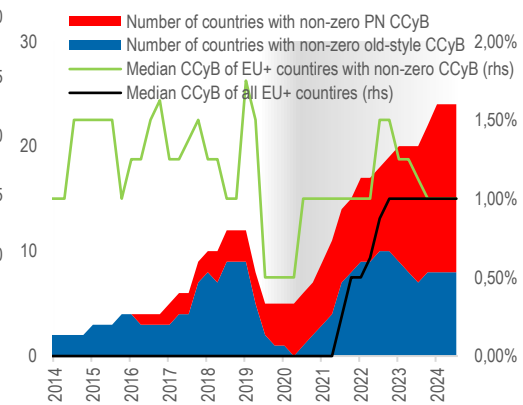


Chart 4

Number of countries with non-zero CCyB rates grew, while their median CCyB rate remained stable



Source: ESRB.

Notes: EU+ denotes EU and Norway. PNR denotes to positive neutral rate.

Usual incentives behind positive neutral CCyB frameworks

According to the ECB/ESRB survey, the introduction of the positive neutral framework in a number of countries was motivated by efforts to ensure that sufficient CCyB levels are built up in the early stages of the financial cycle.⁶ The objective was to create an eligible capital buffer that could absorb shocks emerging at any stage of the financial cycle. Macroprudential authorities were generally concerned about failing to build-up the CCyB in a timely and sufficient manner. Without an adequate CCyB in place, the financial system might lack a crucial layer of capital to absorb the adverse effects of a shock. This risk is particularly

⁶ [Using the countercyclical capital buffer to build resilience early in the cycle, Joint ECB/ESRB report on the use of the positive neutral CCyB in the EEA, January 2025](#)

pronounced in the early stages of the financial cycle, when vulnerabilities may be accumulating but are not yet visible. Several countries therefore view the positive neutral framework as a mean to strengthen the resilience against cyclical risks' materialisation and to reduce overall volatility.

The positive neutral concept also helps to overcome uncertainty and hesitation at the early stage of the financial cycle. This is particularly useful when the signals of the onset of a new expansionary phase are weak and indistinct. In such circumstances, macroprudential policymakers may be reluctant to raise the CCyB rate, preferring to wait for more robust and clearer evidence of broad-based expansion. However, this wait-and-see approach delays the decision-making. Combined with the formal and administrative procedures required for activating the CCyB, it can significantly prolong the timeframe needed to build up the CCyB buffer to a meaningful level.⁷ Waiting for robust signals of expansionary trends may result in insufficient accumulation of capital, especially in cases when the boom phase turns out to be short-lived or is unexpectedly interrupted by an external shock, such as a pandemic.

A methodology that does not rely on strong and indisputable signals of excessiveness can ease policy discussions and reduce the burden of persuading cautious policymakers. This approach is particularly beneficial in jurisdictions with a history of maintaining a zero CCyB or building it up only slowly. Existence of such deficiencies became evident especially during the COVID-19 pandemic. Despite a prolonged and clearly expansionary phase across most of the EU+ countries, only ten of them had set a non-zero CCyB rate and another three of them had adopted decision on CCyB increase that had not yet taken effect.^{8, 9} As a result, some authorities may find it relatively easy to build-up the CCyB to a positive neutral level, as such accumulation tends to be politically more manageable. However, once excessive risks intensify, they may struggle to raise the CCyB further, as doing so in an environment of excessive risk entails significantly higher political costs.

Additional benefit from the positive neutral framework is the possibility of a predictable and gradual increase of the CCyB rate. Authorities in some jurisdictions explicitly declare to achieve the CCyB target rate gradually in a predefined steps and timeframe.^{10, 11}

This also facilitates clear communication about the strategy for future CCyB increases. In some jurisdictions the roadmap of rising the CCyB is clearly communicated even for two years ahead.

Some authorities argue that the positive neutral concept allows them to better adjust the CCyB instrument to national specificities. These may include higher volatility of the financial cycle, heightened exposure to the external shocks due to greater economic openness or structural features of the financial sector, such as high market concentration or a strong presence of foreign bank branches. In such conditions, the accumulation of cyclical risks may be more pronounced than the standard financial cycle indicators would suggest.

Finally, in times of subdued financial cycles combined with strong bank profitability, the positive neutral concept can help transform attained profits into capital. Under this framework, raising the CCyB rate does not require identifying signs of excessive cyclical risks. Instead, favourable banking sector conditions may be sufficient to justify the CCyB rate increase. In particular, strong profitability, solid solvency, and good credit quality — even in the absence of an observable build-up of systemic risks — can justify a higher buffer. In such cases, banking sector earnings are retained in the form of additional capital.

⁷ Usually, the CCyB decisions are based on data dated one quarter before the decision is taken and it takes usually one year from the decision to the effectivity of adopted decision on CCyB increase. In this context it takes from five to six quarters from the cyclical risks accumulation to the corresponding capital increase.

⁸ BG, CZ, FR, SE, IE, IS, LT, LU, NO and SK.

⁹ The decision on CCyB increase, which did not come into effect was adopted in BE, DK and DE.

¹⁰ E. g. CY, CZ, DK, LV, LT, SE.

¹¹ Usually, countries opt for building up the positive neutral rate in linear pace within 2-year horizon.

All that glitters is not gold

The main cost associated with the positive neutral CCyB concept is the weakening of the link between the financial cycle and the CCyB buffer rate. Within the logic of the positive neutral framework, building up the CCyB does not require prior evidence of excessive cyclical risks. Instead, the key condition for increasing the CCyB under this concept is simply being at an early stage of the financial cycle, with no imminent threat of further risk accumulation. In this sense, however, the CCyB takes on characteristics more akin to a structural capital requirement rather than a cyclical one. Conceptually, the positive neutral framework operates in a binary mode: during the bust phase, when risks begin to materialize, the CCyB is typically fully released. Once the situation stabilises and threat of risk materialisation recedes, the CCyB is restored, either fully or in several steps, to its positive neutral level, regardless of the specific trajectory of financial cycle.

This more structural character of the CCyB under positive neutral regime introduces an additional challenge related to its usability. In an environment, where banks understand the CCyB as operating in a binary mode, they may be reluctant to utilise the capital freed up during a CCyB release. This is because banks anticipate that once the buffer is fully released in the downturn, the financial cycle will eventually re-enter its early expansionary phase and the buffer will be rebuilt. As a result, banks, especially those operating close to their capital limits, may limit their use of the temporary capital relief provided by the CCyB release. Instead, of deploying the released capital, they may choose alternative strategies, such as tightening credit conditions.

A positive neutral CCyB framework can undoubtedly deliver benefits, particularly in the early activation phase of the financial cycle, by facilitating the gradual build-up of capital buffers. At the same time, however, it offers no guarantee that the accumulated buffer will be sufficient to absorb the excessive risks that often emerge in later, more exuberant phases of the cycle. While it is highly likely that, over time, an increasing number of countries will maintain a non-zero CCyB rate, it remains an open question whether the levels achieved will ultimately be adequate to counter the risks.

Another source of confusion may arise when the financial cycle, after an initial recovery, reverses and begins to deteriorate, again. As noted earlier, many authorities operating under the positive neutral framework typically commit to restore the CCyB to its neutral level within a defined timeframe (usually up to two years). However, these plans can be quickly derailed if the financial cycle turns downward again. Against the backdrop of highly dynamic financial cycles, where reversals can occur abruptly, a two-year commitment may not be perceived as credible. Inconsistent communication under these circumstances risk undermining the credibility of macroprudential authorities, with potential reputational costs, as official guidance directly shapes banks' capital management decisions. If banks doubt the credibility of CCyB replenishment plans, trust in forward guidance may erode over time. This dynamic may reinforce the perception that the positive neutral CCyB behaves as an additional structural layer of capital, one with insufficiently long release periods to be fully usable.

Shifting to a positive neutral regime effectively introduces an almost permanent capital surcharge on banks. Because the positive neutral CCyB remains activated throughout most phases of the financial cycle, it results in consistently higher capital requirements over time. In this sense, the positive neutral CCyB framework cannot be considered as capital-neutral; rather, it is distinctly more capital-intensive. In this respect, the risk of overlaps with other capital requirements is higher. This can be particularly the case of SyRB, P2R or even the capital conservation buffer.

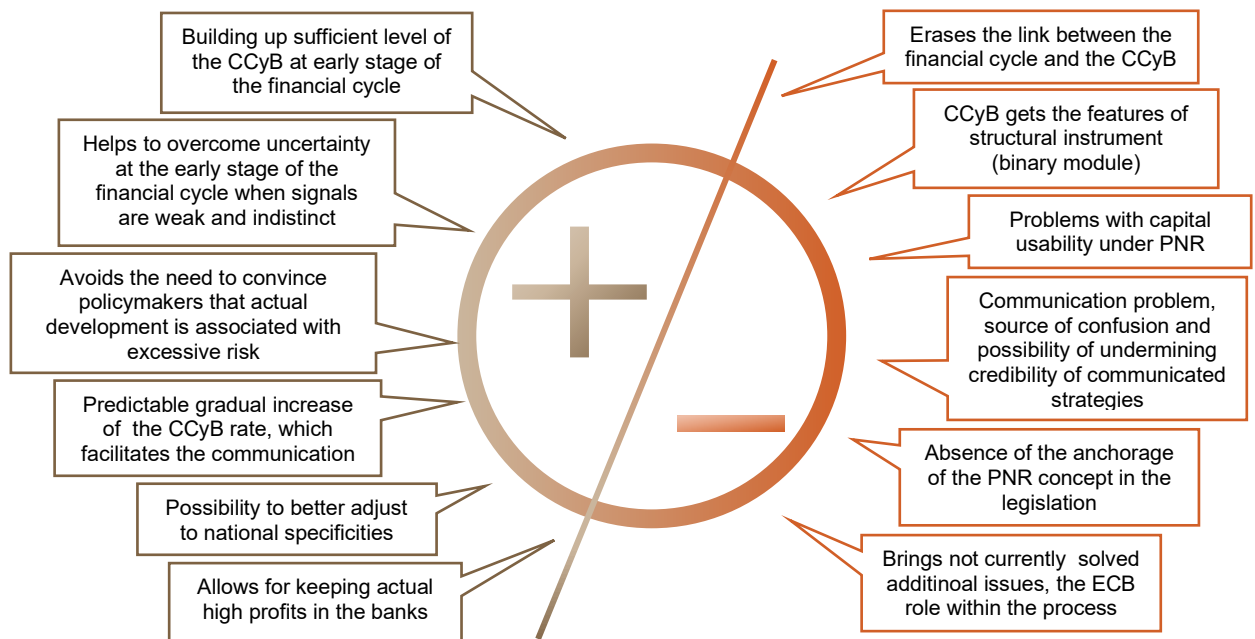
Communicating the CCyB becomes considerably more challenging under a positive neutral framework. In this setting, communication unfolds in two distinct stages. The first stage involves outlining the long-term strategy for replenishing and releasing the positive neutral CCyB rate, a form of guidance that is only loosely tied to the evolution of the financial cycle. The second stage concerns the strategy for raising the buffer above the positive neutral

level. Unlike the first stage, this part of the framework is continuous and fully linked to the evolution of the financial cycle and the emergence of excessive risks. This two-stage strategy makes communication substantially more complex and challenging.

There is currently no explicit legal anchorage of the positive neutral concept in European legislation. Although more than half of the EEA countries now declare in certain form to follow the positive neutral concept, there is no explicit definition or guidance on this approach in international regulation, such as CRD, CRR or ESRB recommendations. National authorities typically address this gap either by avoiding explicit reference to the concept or by arguing that it is inconsistent with existing legislation. However, this position is questionable, as the current legal framework clearly presumes a cyclical character of the CCyB. For example, the CRD explicitly states that “the buffer guide shall reflect, in a meaningful way, the credit cycle and the risks due to excess credit growth in the Member State...”^{12, 13}

Given that a substantial number of designated authorities have already adopted the positive neutral approach, the absence of explicit regulatory recognition suggests a need for legislative amendment. Clear guidance on how to activate, replenish and release the CCyB under the positive neutral regime would also be beneficial. Such an amendment would raise additional issues, including whether the ECB should be authorized to top-up the CCyB when conditions for replenishing the positive neutral rate are met. This would naturally strengthen the ECB’s role as an arbiter in assessing compliance with the positive neutral framework’s operating conditions. At the same time, many macroprudential authorities still follow the original CCyB concept and currently have no intention of transitioning to a positive neutral regime. **Therefore, the original CCyB concept should remain embedded in the regulation, with the positive neutral framework defined only as an optional alternative for the authorities.**

Figure 1
The positive neutral CCyB framework brings both benefits and drawbacks



Source: NBS.
Note: PNR denotes to positive neutral rate.

¹² Applied for CCyB.
¹³ Article 136(2), CRD.

Why the current CCyB framework in Slovakia is not positive neutral

The current CCyB framework currently applied by Národná banka Slovenska is not a positive neutral one. Our approach follows the original Basel concept: the capital buffer is built up during good times and released in periods of stress. This reflects our understanding of the CCyB as an instrument aimed primarily at strengthening banks' resilience against the accumulation of cyclical risks, with only limited potential to influence aggregate credit flow.

We fully acknowledge, that implementing rigorous cyclical methodology can lead to a lack of releasable capital in adverse scenarios unrelated to previous excessive credit growth. Many EU countries still have a fresh experience with very limited releasable buffers available at the onset of the COVID-19 pandemic. In this regard, the positive neutral CCyB framework clearly offers an advantage, as it can ensure ample releasable capital even in scenarios completely orthogonal to the financial cycle.

From the CCyB perspective, the nature of the trigger behind an adverse scenario is not the decisive factor. What matters is whether vulnerabilities had accumulated prior to the shock. Over the past two decades, we have witnessed a broad spectrum of crisis triggers: the dot-com bubble (2000), the US subprime crisis (2008), the Greek sovereign debt crises (2011), COVID-19 pandemic (2020), the war in Ukraine, the surge in energy prices and interest-rate hikes (2022) and turbulences in tariff policies (2025). Some of these triggers evolved into full-fledged crises, others were muted by central banks or governments interventions, and some were simply absorbed by markets. Some of these triggers were related to the financial cycle, some not and many of them fell into a grey zone. Yet the CCyB was needed only when the initial trigger had the potential to materialise imbalances accumulated in banks' books prior to the crisis.

Table 1

It is not about the nature of adverse scenario, it is about the nature of imbalances

	Imbalances accumulated in relation to financial cycle	Imbalances accumulated not in relation to financial cycle	No imbalances accumulated
Shock related to the financial cycle	CCyB	SyRB / CCoB	No buffer needed
Financial cycle unrelated shock	CCyB	SyRB / CCoB	No buffer needed

Source: NBS.

Experience with NBS decisions on the CCyB over the past decade helped to define three scenarios relevant for adjusting the buffer rate. The first scenario involves a build-up of vulnerabilities stemming from excessive credit growth during which the CCyB is gradually increased. The second scenario reflects an abrupt materialisation of credit risk in the form of credit losses incurred by banks. In such circumstance the buffer is partially or fully released, depending on the magnitude of losses. The third scenario captures slow and gradual decrease in accumulated imbalances without their materialisation, allowing for a gradual release of the CCyB reflecting diminishing levels of risks. Importantly, any release decision considers the broader picture of the banking sector. In both release scenarios, the speed and magnitude of the CCyB release are informed by potential capital constraints banks may face in relation to lending market developments.

The concept of three scenarios relevant for CCyB adjustments can be summarized as follows:

- **Early built-up** - driven primarily by lending market dynamics and indebtedness indicators
- **Emergency release** - guided by early balance-sheet data related to credit events
- **Gradual phase-out** - reflecting the slow fading of vulnerabilities already present in banks' books

To ensure timely and financial cycle-relevant CCyB decision-making, NBS has established three corresponding analytical frameworks. The first focuses on early identification of financial cycle excessiveness, which serves primarily as guidance for the CCyB build-up. Its core tool is Cyclogram, a composite financial-cycle indicator that signals the accumulation of imbalances, mostly related to private lending.¹⁴ This indicator also provides a benchmark buffer rate, calibrated on the basis of losses observed after the Global Financial Crisis (Chart 5). The second framework is conceptually linked to materialization of credit risk and serves as a guidance for CCyB release. Under this framework credit losses are monitored through loan loss provisions. Expressed as a share of RWAs, this indicator provides direct guidance on the size of capital that needs to be released. Both the magnitude and timing of the release can further be informed by potential capital constraints in the banking sector.

Chart 5

Cyclogram, the composite financial cycle indicator (index)

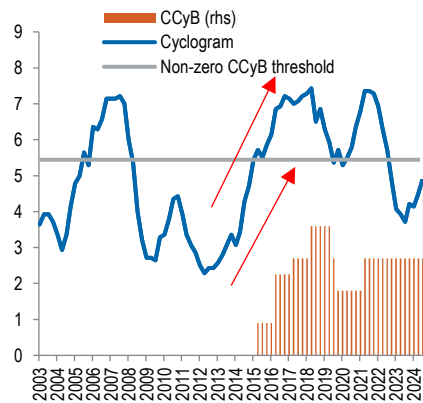
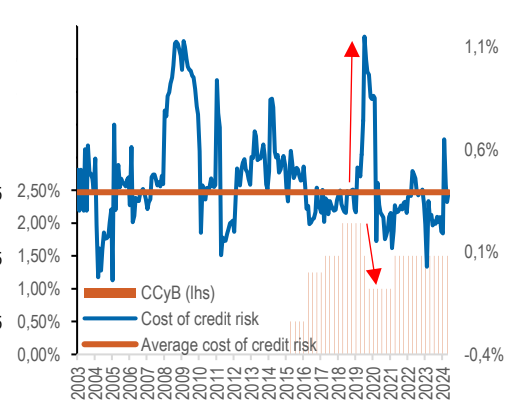


Chart 6

Annualised loan loss provisions (% of RWAs; % of RWAs)



Source: NBS.

Finally, our third analytical framework is focused on the actual level of imbalances accumulated in banks' portfolios. Since bad loans are usually provided in good times, special focus is on loans granted during the expansionary phase of the financial cycle, when risks are often underestimated. This monitoring framework combines several indicator-based approaches with stress testing. One example of an indicator-based approach is the level of macroeconomic indebtedness of households and enterprises. When these imbalances diminish, the CCyB can be gradually released. During 2025, however, the signals have been mixed, providing no strong ground for a gradual phase-out of the CCyB (Charts 7 and 8).

¹⁴ More on methodology: https://nbs.sk/_img/documents/_publik_nbs_fsr/biatec/rok2014/04-2014/03_biatic14-04_rychtarik.pdf and https://www.nbs.sk/_img/documents/_publik_nbs_fsr/biatec/rok2018/03-2018/biatec_18-3jun_rychtarik.pdf

Chart 7

Households: Macroeconomic DTI and DSTI

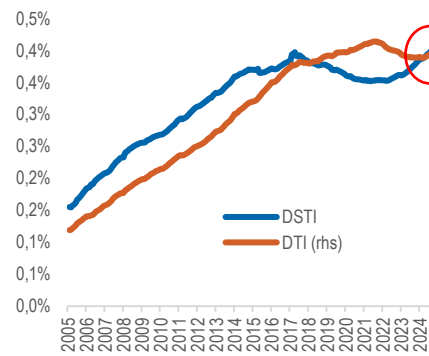
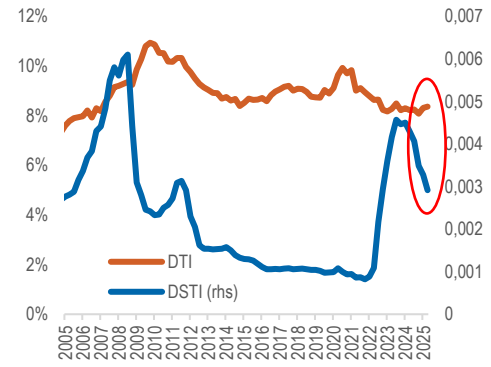


Chart 8

Enterprises: Macroeconomic DTI and DSTI



Source: NBS, Statistical office.

Notes: DTI denotes debt-to-income ratio, DSTI denotes debt service-to-income ratio. Income is either gross disposable income (households) or total revenues (enterprises).

At NBS we build the CCyB not because we are able to predict all forthcoming crises, we cannot, but because we can measure accumulated imbalances in banks' books. Decisions on the CCyB build-up, as well as on full or gradual release, are primarily informed by accumulation and materialization of credit risk in banks' books, rather than by estimates of the probability of a crisis event.

Conclusions

Growing preference for type II error, reinforced by the pandemic experience, can indeed strengthen banks' resilience. It is fair to acknowledge that prior to COVID-19 pandemic many macroprudential authorities struggled to identify a sufficiently strong case for increasing the CCyB. Nowadays, with positive buffers in place across Europe and global uncertainty remaining elevated, the situation has reversed: one now needs a strong justification to begin gradually reducing the CCyB. In a sense, the mindset of many EU macroprudential authorities has become more cyclical, while the design of CCyB frameworks has evolved in the opposite direction.

More capital is not always more beneficial, and the CCyB should not function as a "just in case" buffer. The cost of maintaining sufficient releasable capital for all types of adverse scenarios could simply be too high. Furthermore, while the positive neutral CCyB concept can strengthen banks' resilience, it is less effective in targeting specific types of risks. Hence, the risk of overlaps with other capital requirements is higher. This can be particularly the case of SyRB, P2R or even the capital conservation buffer.

Building up the CCyB at an early stage of the financial cycle is intended to create sufficient macroprudential space. This means that the CCyB increases in line with the expanding cycle and the accumulation of imbalances in credit portfolios. The CCyB is not built because we would be able to foresee a crisis, but because we can measure the level of imbalances. Consequently, it is irrelevant whether the next crisis is related to the financial cycle or not. The buffer is designed to absorb credit losses regardless of the nature of the that sets them in motion.

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