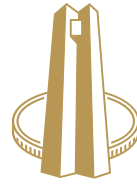


—  
🏠 P O Box 427 Pretoria 0001 South Africa  
📍 370 Helen Joseph Street Pretoria 0002  
☎️ +27 12 313 3911 / 0861 12 7272  
🌐 www.resbank.co.za



SOUTH AFRICAN RESERVE BANK

File ref. no.: 16/3/15

Financial Markets Department

## Notice: Revisions to bank quotas

---

10 February 2023

The SARB's reformed monetary policy implementation framework (MPIF) provides banks with quotas for excess reserves. All balances within quotas earn the policy rate, while balances above quotas earn repo less 100 basis points. Quotas are designed so that they can comfortably accommodate the liquidity surplus created by the SARB in the SAMOS system.

During the consultation period for the reformed MPIF, the SARB raised the possibility that National Treasury would draw down its Sterilisation Reserve Deposits at the SARB, and that this would affect market liquidity. National Treasury has now indicated that these deposits will be drawn down during February and March 2023. The SARB has developed a plan for managing this change, to avoid market disruptions or any weakening of monetary policy transmission. This plan includes an expansion of market liquidity, from about R50 billion currently to around R80 billion, matched by an expansion of banks' quotas. These changes will be made in three steps of R10 billion each, the first of which is scheduled for 8 March 2023, the second for 23 March 2023 and the third for 6 April 2023. This Notice specifies banks' new quotas at each stage of this process.

In addition to adjusting quotas for a higher liquidity supply, the SARB is also revising three aspects of quota design to enhance the functioning of the MPIF. The adjustments are as follows:

- (1) The shock buffer built into quotas will be raised from R10 billion to R20 billion. This buffer defines the range within which FMD aims to maintain the supply of liquidity to the market. At present, with a shock buffer of R10 billion and a liquidity target of R50 billion, FMD's goal is to keep liquidity between R40 billion and R60 billion each day. Where end-of-day liquidity is outside this range, FMD offers supplementary measures that either drain or add enough liquidity to take the balance back within the targeted range. The shock buffer was originally calibrated on observed liquidity volatility under the previous MPIF and was designed to

absorb 99% of shocks. Liquidity has been more volatile recently, such that meeting the 99% threshold now implies a shock buffer of R20 billion. The practical effect of this change is to give banks more quota space, so that they can more easily absorb liquidity changes without further assistance from the SARB. This change will take place on 28 February, before the other quota adjustments are implemented.

- (2) The rounding rules are being raised for all active banks. Under the new MPIF, banks are divided into three categories: large, medium and small. Banks are assigned quotas based on the size of their balance sheets, with each quota rounded up to ensure quotas are whole numbers and that no bank has a trivially small quota. Rounding rules differ for different size banks. Currently, small banks are rounded up to the nearest R200 million, medium banks to the nearest R500 million, and large banks to the nearest R1 billion. From 8 March, small banks will be rounded up to the nearest R1 billion, medium banks to the nearest R2 billion and large banks to the nearest R5 billion.
- (3) Investec will be reclassified as a large bank, from being a medium bank previously. The reclassification ensures that the change in Investec's quota is proportional to the change in quotas for peer banks.

The overall effect of these changes will be to expand quotas, both in absolute terms and relative to the liquidity supply. By the end of the NTSDA drawdown process, total quota space will have risen from R67.2 billion to R140 billion, while the ratio of liquidity to total quota space will have declined from 74% to around 57%. This loosening of quotas is expected to help keep market rates close to the policy rate despite a larger liquidity surplus.

As previously communicated, the SARB has leeway to adjust the liquidity target, rounding rules and shock buffer as needed. Quota shares are also updated routinely to reflect changes in banks' balance sheets, with the next such reweighting due in April 2023. Any revision to quotas will be published in a Notice.

For more information, please contact [FMD-InterestRate@resbank.co.za](mailto:FMD-InterestRate@resbank.co.za).

Bank quotas (R millions)							
	Liquidity target (pos. = surplus)	50 000	50 000	60 000	70 000	80 000	
	Target + shock buffer	60 000	70 000	80 000	90 000	100 000	
Bank	Share of liabilities	Starting point	28 February: Shock buffer change	8 March: R10bn increase, higher rounding	23 March: R10bn increase	6 April: R10bn increase	Bank classification & rounding rule
STANDARD BANK OF SA	24.5%	15 000	18 000	20 000	25 000	25 000	Large banks: rounding rule rises from R1bn to R5bn
FIRSTRAND BANK	21.3%	13 000	15 000	20 000	20 000	25 000	
ABSA BANK	21.2%	13 000	15 000	20 000	20 000	25 000	
NEDBANK	16.5%	11 000	12 000	15 000	15 000	20 000	
INVESTEC BANK	7.4%	5 000	5 500	10 000	10 000	10 000	Medium banks: rounding rule rises from R500mn to R2bn
CAPITEC BANK	2.3%	1 500	2 000	2 000	4 000	4 000	
CITIBANK	1.3%	1 000	1 000	2 000	2 000	2 000	
HSBC BANK - JHB	1.1%	1 000	1 000	2 000	2 000	2 000	
JPMORGAN CHASE BANK - JHB	1.1%	1 000	1 000	2 000	2 000	2 000	
STANDARD CHARTERED BANK	0.6%	500	500	2 000	2 000	2 000	
BANK OF CHINA - JHB	0.5%	500	500	2 000	2 000	2 000	
CHINA CONSTRUCTION BANK - JHB	0.4%	500	500	2 000	2 000	2 000	
AFRICAN BANK	0.3%	500	500	2 000	2 000	2 000	
GRINDROD BANK	0.2%	500	500	2 000	2 000	2 000	
BNP PARIBAS SOUTH AFRICA	0.2%	500	500	2 000	2 000	2 000	
DISCOVERY BANK	0.2%	500	500	2 000	2 000	2 000	
BIDVEST BANK	0.1%	200	200	1 000	1 000	1 000	Small banks: rounding rule rises from R200mn to R1bn
SASFIN BANK	0.1%	200	200	1 000	1 000	1 000	
ALBARAKA BANK	0.1%	200	200	1 000	1 000	1 000	
STATE BANK OF INDIA	0.1%	200	200	1 000	1 000	1 000	
HBZ BANK	0.1%	200	200	1 000	1 000	1 000	
UBANK L	0.1%	200	200	1 000	1 000	1 000	
ACCESS BANK	0.1%	200	200	1 000	1 000	1 000	
TYME BANK	0.1%	200	200	1 000	1 000	1 000	
BANK ZERO	0.02%	200	200	1 000	1 000	1 000	
HABIB OVERSEAS BANK	0.01%	200	200	1 000	1 000	1 000	
FINBOND MUTUAL BANK	0.0001%	200	200	1 000	1 000	1 000	
VBS MUTUAL BANK	0.0000%	0	0	0	0	0	Inactive
<b>TOTAL QUOTA</b>	<b>100%</b>	<b>67 200</b>	<b>76 200</b>	<b>118 000</b>	<b>125 000</b>	<b>140 000</b>	