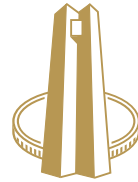


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SOUTH AFRICAN RESERVE BANK

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Financial Markets Department

Notice: Revisions to bank quotas

18 June 2024

The SARB's reformed monetary policy implementation framework provides banks with quotas for excess reserves. All balances within quotas earn the policy rate, while balances above quotas earn the repo rate less 100 basis points. Quotas are designed so that they can comfortably accommodate the liquidity surplus created by the SARB in the SAMOS¹ system.

As discussed in the February *Budget*, and in supporting materials including [this set of 'Frequently Asked Questions'](#), the SARB and the National Treasury (NT) have agreed to a new settlement arrangement for the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). This entails changes to the liquidity position, which also necessitate larger quotas. This Notice describes the timeline for the expansion of the liquidity surplus as well as the quotas for each SAMOS bank at each stage of this transition.

The process starts on 1 July 2024 and concludes on 19 August 2024. The liquidity surplus rises from an average of R80 billion to an average of R160 billion, moving in increments of R10 billion per week. (Note: although the total distribution to NT is R100 billion this year, R20 billion will be drained separately via the Corporation for Public Deposits, an operation that is money-market neutral. This is why the liquidity surplus rises by R80 billion and not R100 billion.)

To optimize quotas, there have been some adjustments to the design rules.

Rounding rules: Previously 'large' and 'medium' banks received different rounding rules. They now have the same rounding rule (up to the nearest R5 billion), so the relative size of banks' balance sheets plays a clearer role in shaping quotas. The rounding rule for smaller banks has also been

¹ SAMOS is the South African Multiple Option Settlement System, a payment system owned and operated by the SARB.

adjusted, to R2.5 billion. The distinction between larger and smaller banks is maintained, as using a single rounding rule for all banks would give the smallest banks the same quota as significantly larger banks, undermining the principle of linking quotas to balance sheet sizes. The dividing line between larger and smaller banks has been identified using observed quota usage, with smaller banks very rarely using most or all of their existing quota space.

Shock buffers: The Financial Markets Department (FMD) does not intervene in the market to fine tune the liquidity supply, but rather allows the market surplus to fluctuate within a stated range, responding to factors such as monthly changes in the demand for notes and coin. This volatility is managed through shock buffers which are included in quotas. The total buffer has previously been plus or minus R20 billion, implying a range for the money market surplus of R60 billion to R100 billion. As the liquidity surplus expands, this range will widen, growing to R30 billion and subsequently R40 billion. By the end of the GFECRA distribution process, the range for the surplus will therefore be R120 billion to R200 billion.

Adjustment factor: Quotas now also include an 'adjustment factor' (item c in the table below) which allows quotas to be calibrated in a more proportionate and flexible way. The inclusion of an adjustment factor supports the simplification of the rounding rules described above.

As previously communicated, the SARB has leeway to adjust the liquidity target, rounding rules and shock buffer as needed. This also applies to the adjustment factor.

Quota shares are updated routinely to reflect changes in banks' balance sheets, with the next such reweighting due in October 2024. Any revision to quotas will be published in a Notice.

For more information, please contact FMD-InterestRate@resbank.co.za.

a. Liquidity target		80 000	90 000	100 000	110 000	120 000	130 000	140 000	150 000	160 000
b. Shock buffer		20 000	20 000	20 000	20 000	20 000	30 000	30 000	40 000	40 000
c. Adjustment factor			20 000	20 000	20 000	20 000	30 000	30 000	30 000	30 000
Sum (a+b+c):		100 000	130 000	140 000	150 000	160 000	190 000	200 000	220 000	230 000
All R millions		Current	1 July	8 July	15 July	22 July	29 July	5 August	12 August	19 August
Bank	Share of liabilities									
STANDARD BANK OF SA	24.80%	25 000	35 000	35 000	40 000	40 000	50 000	50 000	55 000	60 000
FIRSTSTRAND BANK	21.96%	25 000	30 000	35 000	35 000	40 000	45 000	45 000	50 000	55 000
ABSA BANK	20.75%	25 000	30 000	30 000	35 000	35 000	40 000	45 000	50 000	50 000
NEDBANK	16.22%	20 000	25 000	25 000	25 000	30 000	35 000	35 000	40 000	40 000
INVESTEC BANK	7.60%	10 000	10 000	15 000	15 000	15 000	15 000	20 000	20 000	20 000
CAPITEC BANK	2.36%	4 000	5 000	5 000	5 000	5 000	5 000	5 000	10 000	10 000
CITIBANK	1.22%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
HSBC BANK - JHB	0.95%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
JP MORGAN CHASE - JHB	0.89%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
STANDARD CHARTERED	0.57%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
BANK OF CHINA - JHB	0.56%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
CHINA CONSTRUCTION - JHB	0.53%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
AFRICAN BANK	0.33%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
DISCOVERY BANK	0.24%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
GRINDROD BANK	0.20%	2 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
STATE BANK OF INDIA	0.20%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
BIDVEST BANK	0.14%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
ALBARAKA BANK	0.12%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
HBZ BANK	0.11%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
SASFIN BANK	0.11%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
TYME BANK	0.08%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
ACCESS BANK	0.07%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
FINBOND MUTUAL BANK	0.01%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
BANK ZERO	0.004%	1 000	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
VBS MUTUAL BANK	0.000%	0	0	0	0	0	0	0	0	0
Total Quota		100%	136 000	202 500	212 500	222 500	232 500	257 500	267 500	302 500