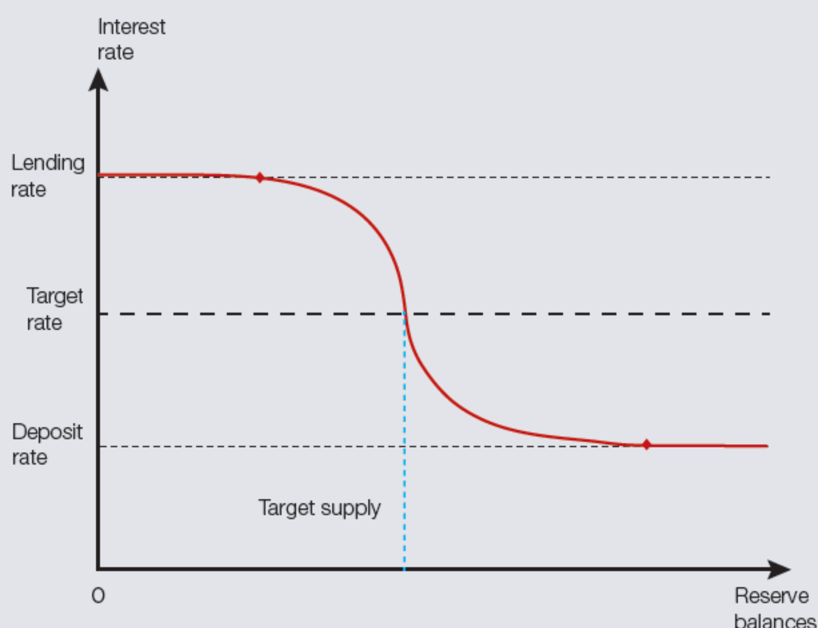
Box 3 What drove the surplus liquidity position in the money market after the introduction of the new monetary policy implementation framework?

In June 2022, the South African Reserve Bank (SARB) moved to a new surplus-based monetary policy implementation framework (MPIF),[1] resulting in sustained surplus liquidity in the banking system. Changes in this surplus help to explain developments in short-term money market rates as well as banks' day-to-day use of SARB facilities, and are therefore material to the transmission of monetary policy. This box discusses how the surplus-based liquidity framework in the money market has evolved since the transition to the new MPIF, along with the framework's design, developments in the actual daily surplus liquidity position[2] and the key drivers of liquidity.

The new surplus-based MPIF is a tiered floor system[3] that allows banks to hold excess liquidity to meet daily operations and settlement obligations, while depositing excess reserves[4] with the SARB in the South African Multiple Option Settlement (SAMOS)[5] system, within quota limits.[6] These quotas are designed to accommodate excess liquidity in the banking system. At the end-of-day square-off, reserves held up to a bank's quota limit are remunerated at the SARB policy rate, while balances above the quota are remunerated at a penalty rate of 100 basis points less than the policy rate.

In a floor system, the central bank transmits monetary policy through the interest on reserves. This removes the dependence on reserve scarcity and allows the central bank to change the size of its balance sheet without affecting the policy rate, thereby enabling monetary policy and balance sheet policy to operate independently.



1 In the surplus-based framework, the SARB provides daily liquidity in the money market, while banks lend and borrow in the interbank market with no obligation to participate in the SARB's weekly auctions.

2 A surplus liquidity position in the money market arises when the banking system, on aggregate, holds central bank reserves in excess of those required for daily payment settlement and regulatory purposes.

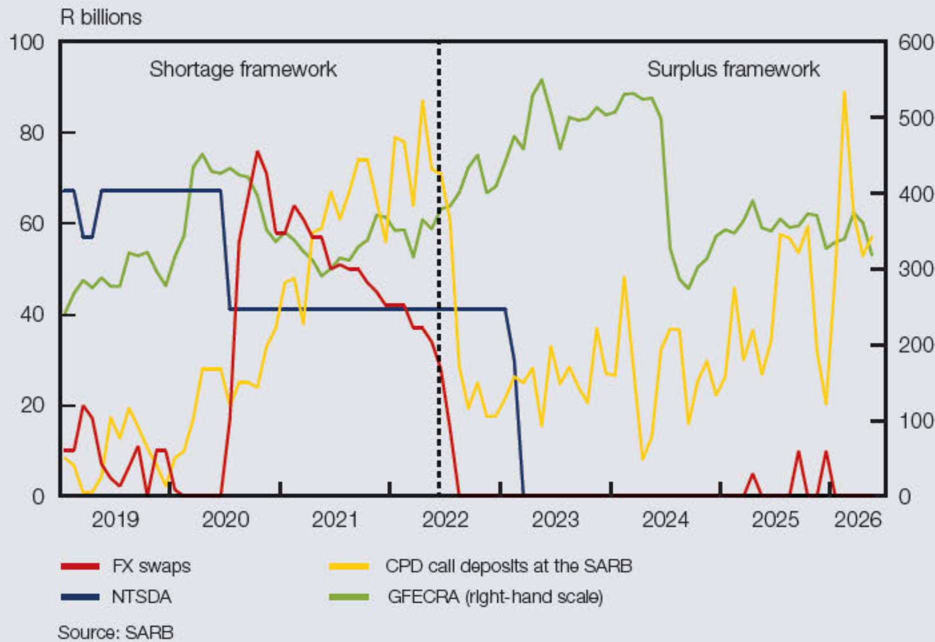
3 This is a monetary policy implementation framework in which the central bank provides ample liquidity to the banking system, allowing banks to hold excess reserves at the central bank. The excess reserves are remunerated at different (tiered) interest rates, determined by the size of the balances held or the quota limits.

4 These are balances that banks hold in the South African Multiple Option Settlement (SAMOS) system with the SARB over and above their minimum cash reserve requirements.

5 This is a real-time gross settlement (RTGS) system owned and operated by the SARB. The SAMOS system facilitates the settlement of domestic high-value payments, retail batches as well as bond and equity market settlements. The automated system settles obligations in real time or via delayed settlement arrangements. Each settlement participant has a settlement account with the SARB and must provide sufficient funds to ensure the smooth functioning of the settlement system. In the event of insufficient funds, the SAMOS system automatically grants a loan against acceptable collateral.

6 Quotas are set by the SARB based on banks' relative balance sheet sizes as well as the total amount of liquidity in the market.

Since its implementation, the surplus-based liquidity framework has kept the banking system in a sustained surplus liquidity position, reflecting the operational design of the MPIF and balance sheet developments affecting liquidity. Autonomous liquidity-expanding factors such as the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) allocations and Corporation for Public Deposits (CPD)[7] transactions contributed to the steady expansion in surplus liquidity.



The increase in surplus liquidity under the new MPIF can be divided into three broad stages, each reflecting distinct balance sheet developments. In the initial phase, the system moved to a surplus position as the new framework was implemented and legacy liquidity-draining operations were unwound.

The second phase occurred early in 2023, when National Treasury (NT) withdrew funds from the National Treasury Sterilisation Deposit Account (NTSDA)[8] at the SARB. The withdrawals were not offset by the sale of foreign exchange (FX) reserves, but instead were replaced by new liabilities in the form of increased excess reserves held by banks at the SARB. This increased liquidity in the money market, as reflected in an expanded surplus liquidity position.

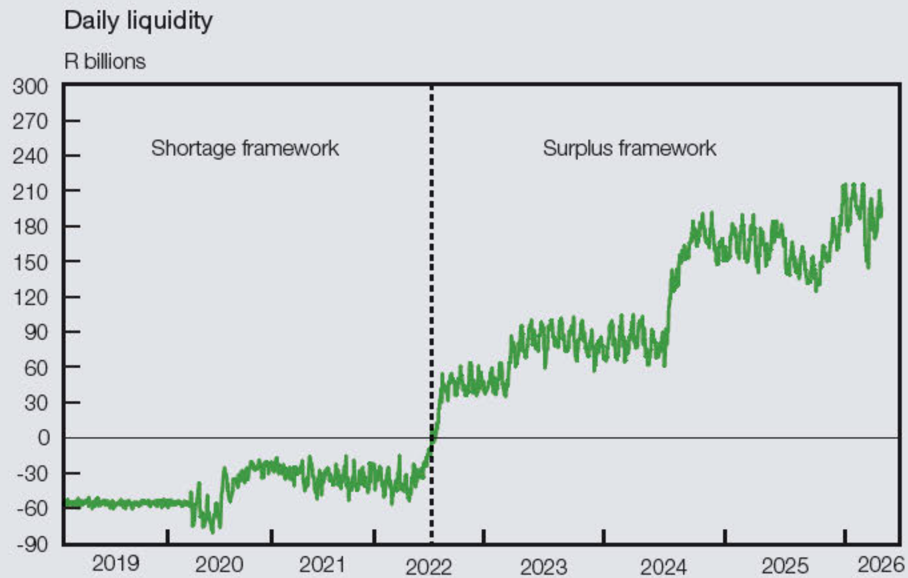
The third phase relates to the significant expansion of surplus liquidity following the allocation of the GFECRA balances to NT from mid-2024, which injected additional liquidity into the banking system. The SARB replaced a portion of the GFECRA liability on its balance sheet with new interest-bearing liabilities, the most significant of which was banks' excess reserves deposited at the SARB and remunerated at the policy rate. The GFECRA transfers increased money market liquidity by injecting central bank reserves into the banking system through the Tax and Loan Accounts.[9] To absorb the excess liquidity created by the GFECRA allocation, the SARB increased banks' quota limits from R138 billion in June 2024 to R315.0 billion in December 2025, allowing the system to accommodate the higher liquidity levels in the money market. The higher surplus position was also facilitated by the SARB phasing out debentures and unwinding other liquidity-draining operations such as FX swaps as well as aiding additional liquidity injections through the switching of CPD call deposits from the SARB to banks.

7 The Corporation for Public Deposits Act 46 of 1984 established the CPD in South Africa to receive and invest public sector funds following the dissolution of the National Finance Corporation.

8 The NTSDA is a deposit facility through which the NT places funds at the SARB to help drain excess liquidity arising from foreign exchange reserve purchases.

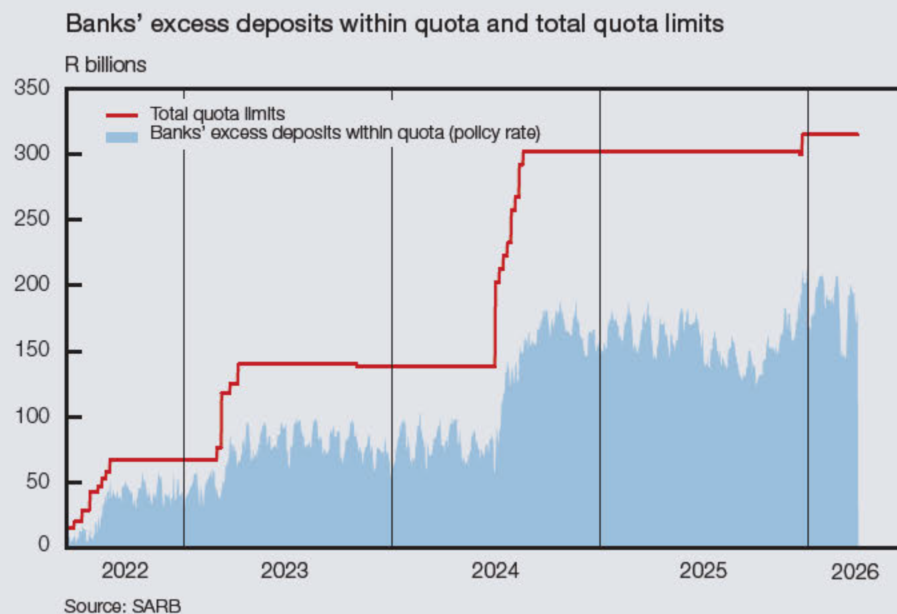
9 The national government keeps its main local currency deposits in the Tax and Loan Accounts with the major commercial banks and not at the central bank.

The actual daily liquidity requirement decreased from R24.3 billion in June 2022 and switched to a surplus position on 1 August 2022. The surplus liquidity position reached a high of R214.5 billion on 22 December 2025, reflecting the impact of the GFECRA allocation[10] to NT.



Source: SARB

The aggregate daily liquidity surplus increased from R54.4 billion in August 2022 to R203.6 billion in December 2025. By the end of December 2025, the total quota allowance for banks had increased to R315.0 billion as the SARB completed the final phase of the transition to the new MPIF.



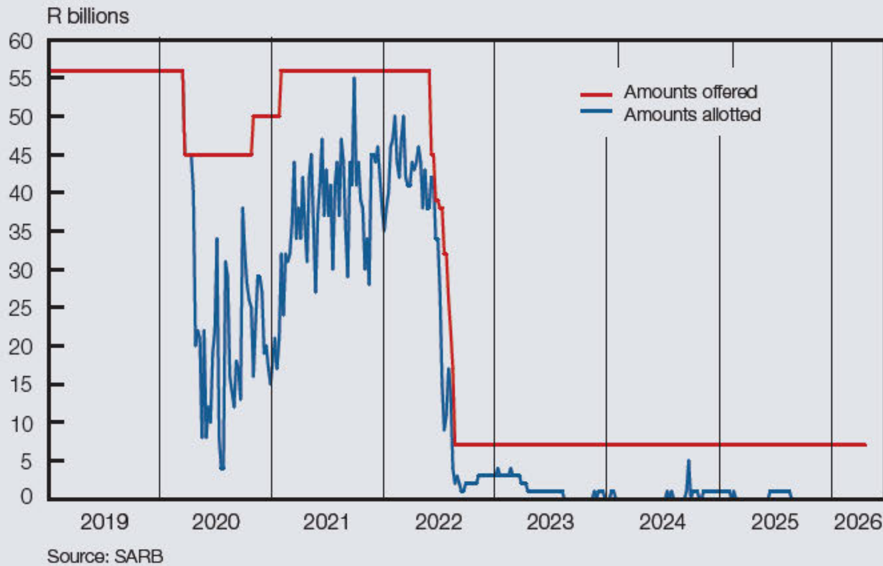
Source: SARB

With the adoption of the surplus-based liquidity framework, participation in the SARB's weekly main refinancing auctions declined sharply as liquidity became abundantly available, with the auction size

10 In June 2024, the SARB and NT agreed to a revised settlement framework that changes how balances in the GFECRA will be distributed. An amount of R250 billion was approved for phased reallocation, with a portion remaining in the account as a buffer against future exchange rate volatility to reduce the risk of the balance becoming negative. An amount of R100 billion was allocated to the SARB's contingency reserve to safeguard institutional solvency and absorb potential losses linked to liquidity management operations. The remaining R150 billion was scheduled for transfer to NT over three fiscal years: R100 billion in fiscal 2024/25, R25 billion in fiscal 2025/26 and R25 billion in fiscal 2026/27.

decreasing from R56 billion in June 2022 to R7.0 billion from August 2022. The monthly average allotted amount decreased from R34.8 billion in June 2022 to R1.5 billion in April 2023, and further to R0.1 billion in September 2025. Currently, banks no longer participate in these auctions as they remain in a surplus position. However, the auction remains in place to enable banks to access repo liquidity from the SARB when needed.

The South African Reserve Bank's weekly main repurchase auctions



The transition to a surplus-based MPIF has fundamentally reshaped money market conditions in South Africa. The framework has enabled the banking system to operate in a sustained surplus liquidity position, supported by the gradual calibration of quota allowances and the remuneration of excess reserves within quota limits at the policy rate. The new framework has reduced banks' reliance on SARB refinancing operations and promoted the redistribution of liquidity through the interbank market, while preserving effective monetary policy transmission. The SARB's active management of quotas has been central to accommodating elevated surplus liquidity, particularly in response to large balance sheet transfers such as GFECRA allocations, while ensuring short-term interest rates remain close to the policy rate.

SARB surplus liquidity framework (conceptual flow)