

The Governance of Macroprudential Policy in South Africa

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* The views expressed herein are those of the discussant and do not necessarily reflect the views of the CNB or its Board



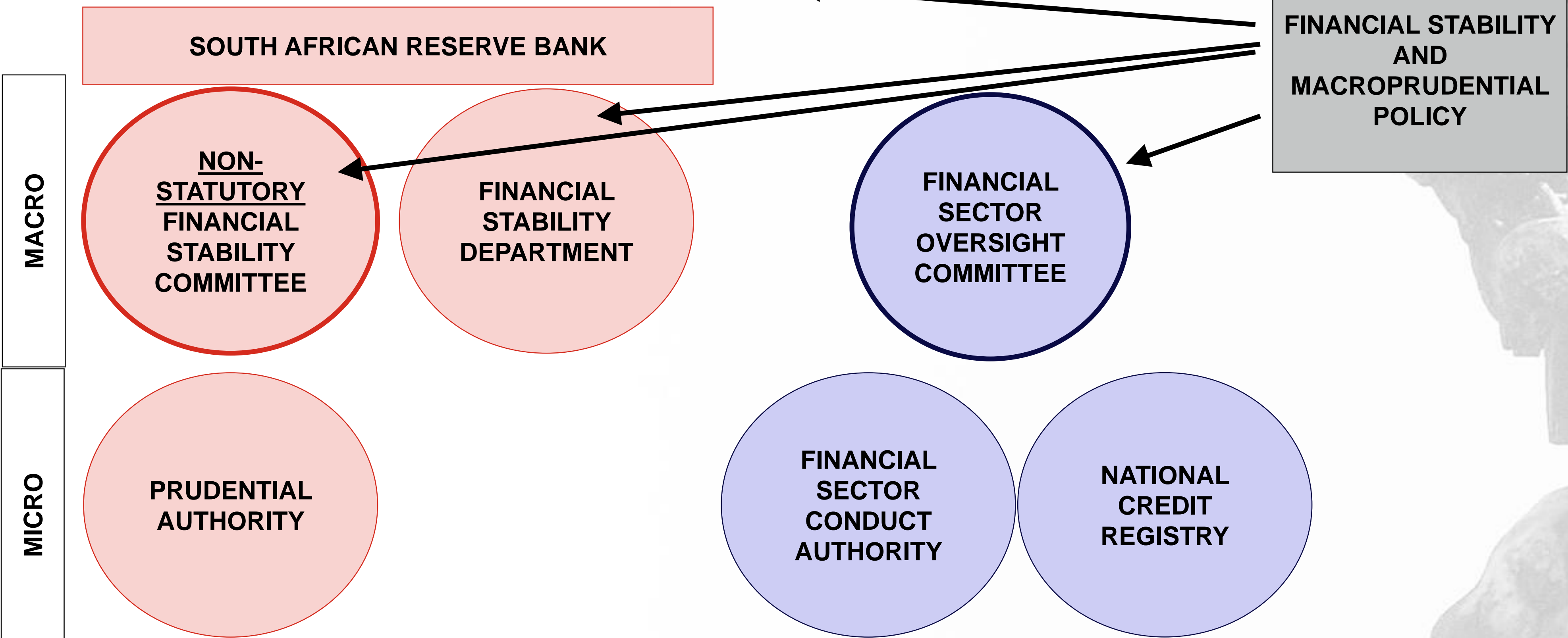
Summary



Key takeaways from the paper

„Bifurcated“ Twin?? Peaks-plus Regulatory Model since 2017.

GOVERNOR AGREED POLICY FRAMEWORK **MINISTER OF FINANCE**



Key takeaways from the paper

Governance and Committees: FSC acts as de facto executive body without statute; FSOC is statutory but mainly coordinates.

p. 59: „*The Financial Stability Committee, in our view, is shrouded in mystery.*“

Identified Weaknesses: Reliance on „soft“ powers: „hard“ macroprudential powers only: (1) for SIFIs, (2) for setting CCyB and (3) in the event of declared crisis; data gaps hinder borrower-based measures (separate NCR).

Recommendations for Improvement: Formalize FSC, introduce comply-or-explain powers, expand toolkit, enhance transparency and other.



Overall emphasis: why governance matters

Importance of Timely Action: Governance ensures capability and willingness to act swiftly to mitigate systemic financial risks effectively.

Strong Governance Frameworks: Clear mandates, accountability, and transparency reduce inaction bias and political interference in policy decisions.

International Best Practices: Statutory committees, voting mechanisms, and external members enhance legitimacy and avoid groupthink.

Coordination and Proactivity: Effective governance promotes regulator coordination, robust data collection, and proactive policy implementation.



Discussion



The case of South Africa: my expert opinion

1. Power organization complexity is useful only to a certain degree

- **legitimacy and acceptance...**: the broader division of macroprudential powers provides support to the macroprudential decisions which can be unpopular
- **...vs. ability to action**: too much complexity hinders any decision abilities

> **The South Africa approaches to the second case (multiple peaks, non-statutory FSC)**

2. Presently limited powers in ordinary times, but strong in crisis

- macropru should be applicable mostly in a preventive manner
- governance should help the policymaker avoid inaction bias
- risk of regulatory arbitrage (SIFIs → non-SIFIs, banks → non-banks)

3. BBM is a great tool to limit the risk on the entrance

- but need of data and expert view into evaluation of risks (simulations)



The case of South Africa: the paper

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THE PAPER:
INSTITUTIONAL
DESIGN

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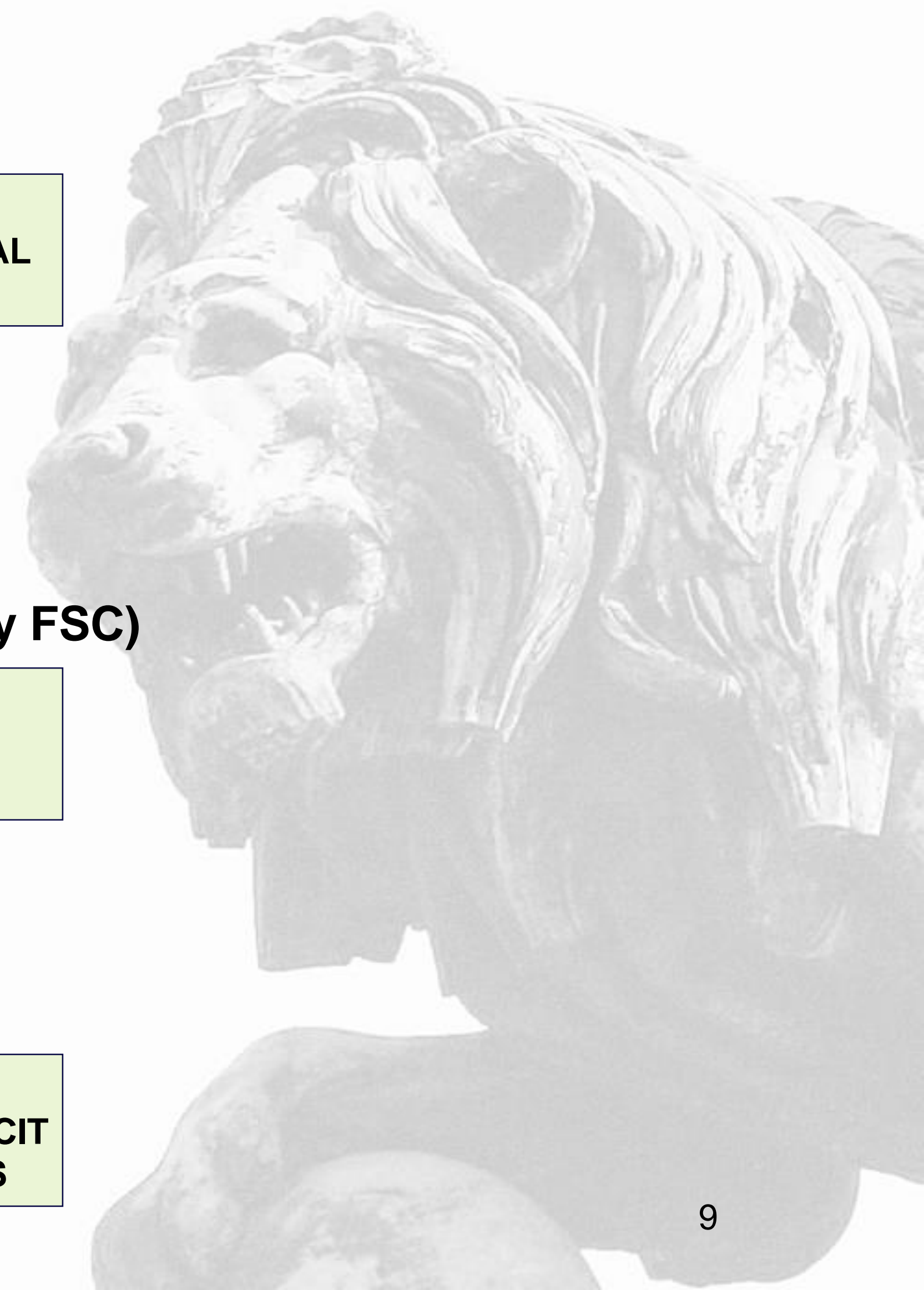
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THE PAPER:
PROCESS
DESIGN

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THE PAPER:
ONE OF EXPLICIT
PROPOSALS



SARB vs CNB experience

CNB – all below a single roof

Benefits: Simpler synchronization with supervision and monetary policy; allows better access to data; better handling of tool overlaps; stronger ability to a swift action and to avoid inaction bias

Costs: possibly more opposition (no broad forum) – need to show objective evaluation, expert insight, transparent communication is a must

→ The example of CCyB: an above-average level of transparency by the CNB

CNB has a broader toolkit – CCyB, SyRB, BBMs – uses multiple tools to fit the macroprudential policy to multiple sources of the systemic risk



Comments on the paper or future work

- **ESRB-ECB working group on governance** – expected publication in 2026 Q1
- **Non-bank macroprudential tools** as an emerging topic: possible follow-up work (interconnectedness, leverage, liquidity, common asset holdings and fire sales)
- South Africa specificity: **non-housing retail loans and need for non-housing BBMs** – not so common, could be more detailed elaboration in future research
 - even more generally: given the lack of mortgage market \Leftrightarrow real estate market reinforcing loop, does it really fall under the systemic risk?



**Thank you for your
attention**

