TECHNICAL ASSISTANCE REPORT

SURINAME

Macroprudential Framework

MAY 2026

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Authoring Department:
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The analysis and policy considerations expressed in this publication are those of the IMF’s Monetary and Capital Markets Department.

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Glossary

BCBS	Basel Committee on Banking Supervision
CARTAC	Caribbean Technical Assistance Center
CBA	Central Bank Act
CBvS	Central Bank of Suriname
CCyB	Countercyclical Capital Buffer
CET1	Common equity Tier 1
CFR	Core funding ratio
D-SIB	Domestic systemically important banks
DSTI	Debt-service-to-income ratio
ESRB	European Systemic Risk Board
FSAC	Financial Stability Advisory Committee
FSC	Financial Stability Committee
FSD	Financial Stability Department
FSR	Financial Stability Report
FX	Foreign exchange
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
LTV	Loan-to-Value Ratio
MFP	Ministry of Finance and Planning
MOU	Memorandum of Understanding
MPAC	Monetary Policy Advisory Committee
NPL	Nonperforming loans
NSFR	Net Stable Funding Ratio
RWA	Risk-weighted assets
sSRB	Sectoral Systemic Risk Buffer

Preface

At the request of the CBvS, a CARTAC technical assistance mission visited Paramaribo, Suriname, during December 1 - 5 to assist the authorities in establishing a macroprudential framework.

The mission was conducted by Mr. Kalin Tintchev (Financial Stability Resident Advisor) and met with the Governor Mr. Maurice Roemer; Mr. Rakesh Adhin, Deputy Governor/Director of Supervision; Mr. Harry Dorinnie, Director of Monetary Affairs; Mr. Ricky Soedamah, Director of Payments and Market Infrastructure; Mr. Jonathan Mangoendinomo, Head of Financial Stability Department; Ms. Mariska Purperhart, Head of Banking Supervision Department; Mr. Sanjay Gaurisankar, Head of Research Department; Ms. Saira Jahangir-Abdoelrahman, Head of Statistics Department; Ms. Sjahnaz William, Head of Financial Markets, and the staff of the Financial Stability Department. The mission wishes to thank all CBvS staff for their excellent cooperation, productive discussions, and hospitality.

This technical assistance (TA) report presents the mission's assessment and main conclusions.

Executive Summary

At the request of the Central Bank of Suriname (CBvS), CARTAC carried out an in-person mission in Paramaribo, Suriname to help develop a macroprudential framework. Authorities requested support with defining macroprudential goals, selecting instruments and building governance structures, enhancing data collection and risk monitoring, implementing key indicators, and improving policy coordination. The mission therefore assessed institutional arrangements, systemic risks, and the prudential toolkit, offering advice on key steps and milestones for establishing a robust framework. A follow-up visit will concentrate on advancing systemic risk monitoring and analytical capabilities.

A strong macroprudential framework is essential for maintaining financial stability and promoting sustainable financial development. Over the past ten years, repeated external shocks have significantly weakened financial intermediation, lowering the credit-to-GDP ratio from nearly 40 percent in 2016 to around 20 percent by 2024. Even though a major oil discovery has improved the medium-term outlook, it may also make the economy more vulnerable to fluctuations in commodity prices. Corporate lending rebounded sharply in 2025, with consumer borrowing also growing swiftly. Without suitable measures, resource-driven booms can fuel surges in credit and asset prices and lead to increased risk-taking and leverage.

Improving the banking sector's resilience to adverse shocks requires a well-designed set of tools supported by solid governance. This involves creating effective governance frameworks and carefully selecting and customizing instruments to meet specific policy aims and address potential weaknesses, while being mindful of practical limitations. The toolkit needs to balance the objectives of boosting banks' ability to withstand shocks and supporting economic growth through greater financial depth and inclusion.

The mission examined the systemic risk environment, the current instruments, and governance structures, and suggested improvements. Suriname's financial sector is dominated by four large banks, highlighting concentration as a key systemic risk along with financial conglomeration. The mission advised expanding the suite of macroprudential instruments to mitigate potential systemic risks arising from rapid credit expansion and large exposures. It further recommended strengthening data collection and analytical capabilities to facilitate the adoption of more sophisticated tools in the longer term. Strong institutional accountability and transparency are essential for effective macroprudential policy implementation.

To institutionalize macroprudential policy, a formal strategy document with clear mandates and objectives is crucial. Such a document should outline structured processes for identifying risks and making policy decisions, define the available instruments, and establish transparent governance, coordination and communication practices. The mission shared best practices for crafting a comprehensive macroprudential strategy. This strategy should integrate core elements into a coherent framework, providing guidance and a clear structure to support transparency, credibility, continuity, and capacity building.

The mission outlined a phased roadmap to establish a comprehensive macroprudential framework. This approach is designed to ensure structured, incremental implementation aligned with institutional preparedness. Near-term priorities include developing robust governance and strategic foundations, enhancing data and analytics, and deploying tools that are already available or easily accessible. Over time, the roadmap aims to strengthen early warning systems, bolster stress-testing processes, and reinforce regulatory frameworks to support more advanced macroprudential measures. Continuous capacity building and a multi-year implementation plan are essential.

Table 1. Key Recommendations

Institutional framework	Priority	Timeframe 1/
1. Adopt a macroprudential strategy outlining policy objectives, institutional and governance frameworks, suitable risk indicators and instruments, coordination and communication practices. (¶15; ¶88-91)	High	SMT
2. Create a CBvS webpage dedicated to macroprudential policy. (¶16)	High	MLT
3. Hold semiannual policy meetings at the Executive Board. (¶16)	Medium	MT
4. Issue the Financial Stability Report to Parliament. (¶16)	Medium	MT
5. Sign a bilateral Memorandum of Understanding (MOU) for supervisory cooperation with Trinidad and Tobago and/or join the multilateral MOU among the Caribbean Regulatory Authorities. (¶17)	Medium	MLT
Macroprudential instruments		
6. Create a timebound roadmap to establish a comprehensive macroprudential framework. (¶72-75; ¶92-100; Annex II)	High	ST
7. Adopt a plan to implement suitable macroprudential policy instruments. (¶72-75; ¶100; Annex II)	High	SMT
8. Update relevant CBvS regulations as necessary to enable the use of macroprudential instruments. (¶72; ¶97)	Medium	MLT
Data and statistics		
9. Initiate a quarterly survey to assess bank lending standards and collect borrower-level debt and income statistics. (¶63; ¶71; ¶75; ¶96)	High	ST
10. Compile an updated housing price index. (¶52; ¶75; ¶97)	High	SMT
11. Upgrade the data reporting portal to support macroprudential tools. (¶75; Annex II)	Medium	MLT

1/ Short term (ST): < 1 year; Medium term (MT): 1 to 2 years; Long term (LT): 2-5 years.

I. Introduction

1. **With the onset of the pandemic, Suriname faced economic and financial challenges that required decisive and coordinated policy responses.** To address these issues, the country entered into a 36-month Extended Fund Facility (EFF) program with the International Monetary Fund (IMF), which was successfully concluded in March 2025. The program provided a structured framework for macroeconomic stabilization and resilience-building measures in the financial sector.

2. **The reforms implemented under the EFF program played a crucial role in enhancing the CBvS's institutional capacity.** These reforms strengthened the central bank's autonomy and macroprudential powers and improved its capacity to oversee the financial system. With CARTAC support, the CBvS enhanced essential communication tools, most notably the Financial Stability Report (FSR) (IMF 2023; IMF 2025a). Collectively, these efforts laid the groundwork for establishing a comprehensive macroprudential framework aimed at enhancing the financial system's resilience against adverse shocks.

3. **This CARTAC mission assisted Suriname in developing a comprehensive macroprudential policy framework.** The mission assessed systemic risks, evaluated existing macroprudential institutions and prudential tools and provided tailored recommendations, including advice on developing a coherent macroprudential strategy and a timebound roadmap for its implementation. A follow-up visit will identify suitable systemic risk monitoring indicators and provide training on analytical tools.

4. **This TA report summarizes the mission's findings and recommendations.** Section II covers institutional arrangements, Section III reviews the systemic risk environment, Section IV discusses a suitable policy toolkit, Section V focuses on calibration principles, Section VI shares best practices for developing a macroprudential strategy and Section VII concludes and outlines a potential implementation roadmap.

II. Institutional Framework

5. **A robust institutional framework is essential for the effective implementation of macroprudential policy.** According to IMF guidance, institutional arrangements should establish a macroprudential authority with a clear mandate, a structured decision-making process, and an effective communication strategy to promote the authority's willingness to act (IMF 2014a). They should also equip the authority with sufficient powers and access to necessary information to ensure its ability to act and foster effective coordination with relevant domestic and international agencies. This section reviews Suriname's existing arrangements with respect to these principles.

A. Willingness to Act

6. **The 2022 Central Bank Act (CBA) provides the CBvS with a clear legal mandate to promote financial stability.** Article 9 establishes financial stability as a key CBvS objective second only to price stability, while Article 10 designates the CBvS as the sole macroprudential supervisor for banks, pension funds, and insurance companies. The CBA further authorizes CBvS to monitor and manage financial sector risks and vulnerabilities and sets intermediate policy objectives such as strengthening the resilience of the financial system and mitigating cyclical risks related to unsustainable increases in credit, debt, and asset prices, and structural risks stemming from excessive financial interconnectedness (Article 14).

7. **Suriname's financial stability framework was initiated in the wake of the global financial crisis and further developed in response to the global pandemic.**

- In 2014, the CBvS established the Financial Stability Department (FSD) to analyze risks to financial stability and publish an FSR. To support informed policy making, the FSD has developed and monitors key analytical tools, including financial soundness indicators and composite financial stability metrics, stress tests and quantitative assessments of the systemic importance of domestic banks. The FSR is published annually and has evolved as an effective communication channel; further supporting its risk analysis with potential policy implications is important for strengthening policy transmission.

- Apart from close ties with Banking Supervision, effective coordination between macroprudential and monetary policies is particularly important given financial dollarization and the dual use of the reserve requirements for monetary and prudential purposes. To facilitate policy coordination, the CBvS formed the Financial Stability Advisory Committee (FSAC) in 2016. Chaired by the head of FSD and including other departmental heads, the FSAC reviews FSD's risk assessments, considers policy options, and issues quarterly reports with recommendations.

- Effective coordination with fiscal authorities is key in sovereign risk-sensitive economies. The Financial Stability Committee (FSC), established in 2022 under the Credit Institutions Recovery and Resolution Act, represents a high-level forum for interagency policy coordination. The FSC is co-chaired on a rotational basis by the CBvS Governor and the Minister of Finance and Planning and supported by Macroprudential and Crisis Management Subcommittees. Under its terms of reference, the FSC monitors developments relevant to financial stability and facilitates the exchange of information between the CBvS and the Ministry of Finance and Planning (MFP). The FSC reviews FSAC's quarterly risk assessments and formulates policy proposals to the CBvS Executive Board.

8. **The CBvS plays a central role in formulating and implementing macroprudential policy.** Its expertise and control over prudential instruments position the Bank as the lead institution to design and

execute macroprudential measures. Key CBvS institutions (FSD, FSAC) support decision making with technical analysis and recommendations. The Governor holds ultimate responsibility for taking policy decisions and issuing regulations, with FSD coordinating implementation upon Executive Board approval.

9. **The CBvS Executive Board, chaired by the Governor and consisting of three to five members, oversees macroprudential policy implementation (Article 29).** Decisions are made by consensus or majority vote, with the Governor holding the deciding vote in the event of a tie. The Board can form committees to advise on specific policy matters and define their responsibilities in relevant regulations.

B. Ability to Act

10. **The CBA empowers the CBvS to take appropriate policy actions to safeguard financial stability.** The CBA authorizes the Bank to implement macroprudential policies and policy instruments to identify and mitigate systemic risks within the financial system, and between the financial system and the real economy at an early stage (Notes to Article 14). The CBvS may also take recovery and resolution steps for struggling credit institutions, including preventive and early intervention measures (Article 10), and provide temporary emergency liquidity assistance as a lender of last resort (Article 21).

11. **The Bank is legally authorized to gather all data and information needed for macroprudential supervision.** The CBA empowers the CBvS to obtain data and information not only from supervised financial institutions but also from other relevant private or public entities in Suriname. Article 11 requires financial institutions to provide accurate and timely data for both supervisory and statistical purposes and grants the Bank the legal authority to enforce its right to request this information.

C. Policy Coordination

12. **Suriname's institutional framework facilitates effective policy coordination among relevant CBvS departments.** Centralizing financial system supervision at the CBvS has helped align macroprudential, micro-prudential, and other Bank functions. Department heads from Banking and Insurance Supervision, Research, Open Market Operations, Financial Markets and Statistics participate in FSAC meetings, while the FSD head, along with the other department heads, attends meetings of the Monetary Policy Advisory Committee (MPAC), ensuring effective information sharing and collaboration within the CBvS. Additional coordination guidelines may be necessary to delineate departmental responsibilities over shared policy instruments.

13. **Coordination mechanisms with the MFP are well established.** Regular consultations with the MFP shall preserve the CBvS's operational independence (Article 39 of CBA). Under the bilateral MOU, the CBvS is required to update the MFP on financial stability risks, bank interventions, and any anticipated requirements for public support to credit institutions. Without prejudice to the CBvS's operational autonomy, the MFP authorizes state guarantees for emergency liquidity assistance and public support to credit institutions. The FSC coordinates joint crisis management, communication, and contingency planning.

14. **Flexibly adjusting coordination arrangements is key to accommodating evolving institutional needs**. With the potential implementation of a deposit insurance scheme over the medium term, it will be important to establish effective information sharing mechanisms with its leadership, in line with international best practices.[1] It may be also helpful to formalize the exchange of data with the Land Registry and the Bureau of Statistics to facilitate data enhancements in key macroprudential areas.

[1] A draft deposit insurance law is currently pending parliamentary review.

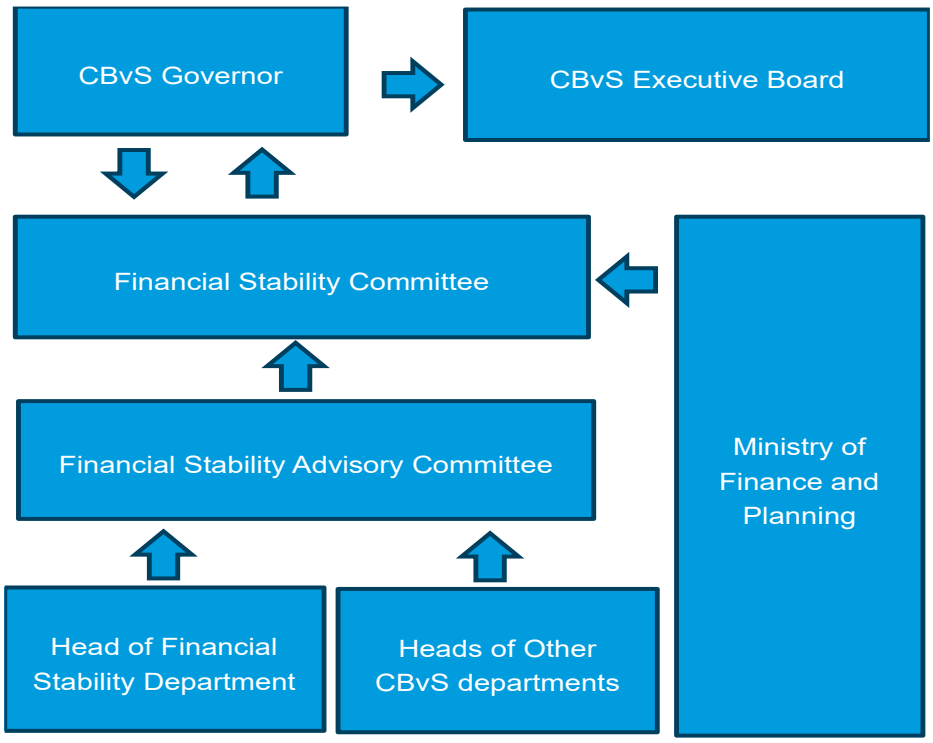
Recommandations

15. **While current institutional arrangements support macroprudential policy making, formalizing these structures through a CBvS strategy document is crucial.** Suriname's institutional framework for macroprudential policy has made recent progress, most notably in enhancing interagency coordination via the FSC. However, developing an overarching strategy document would provide institutional clarity, policy coherence, and a foundation for communication, which are essential for credible and consistent policies by: (i) clarifying macroprudential objectives and the roles and responsibilities of various macroprudential units, (ii) ensuring decisions are based on consistent risk identification and instrument activation methodologies and guidelines, (iii) developing effective communication and coordination strategies (see Section V).

16. **Accountability and transparency are key to supporting consistent, effective and timely policy action.** Clear communication of systemic risks and policy intentions helps shape public expectations and supports early adjustments. Holding semiannual macroprudential policy meetings at the Executive Board, issuing the FSR to Parliament and creating a CBvS webpage dedicated to macroprudential policy are critical for strengthening policy accountability and transparency.

17. **There are opportunities to enhance cross-border supervisory cooperation.** As Suriname hosts a major regional bank, effective cross-border oversight requires close collaboration with the bank's home supervisory authorities and across the region. This could involve a bilateral MOU with the Central Bank of Trinidad and Tobago or participation in the 2011 multilateral MOU among Caribbean regulatory authorities.

Figure 1. Suriname: Institutional Framework for Financial Stability



Source: CBvS and CARTAC staff.

III. Systemic Risk Environment[2]

18. **Suriname's small, open economy is vulnerable to external shocks**. Reliance on mineral exports such as gold and oil leads to significant fluctuations in export earnings and government revenues and contributes to local currency volatility (Figure 2). External and fiscal performance has been adversely affected by multiple commodity price shocks over the past decade. While a major oil discovery has enhanced the medium-term outlook, it may also deepen the economy's reliance on commodities.

19. **Successive external shocks over the past decade have considerably reduced financial intermediation.** Over the last ten years, the 2015–2016 commodity price slump and the global COVID pandemic have put pressure on debt sustainability and financial stability. As a result, financial intermediation has dropped significantly, falling by around 20 percent of GDP.

20. **While there has been significant progress toward economic recovery, challenges remain.** Rising costs have contributed to lower gold production at one of the country's main gold mines, with negative effects on economic growth and the local currency. Looking ahead, prudent oil resource management is key to supporting macro-financial stability.

21. **Macroeconomic conditions and tight monetary policies have reduced bank leverage and increased liquidity buffers.** Outstanding credit declined to approximately 30 percent of banking assets by mid-2025, thereby enhancing local and foreign currency liquidity buffers. On the liabilities side, inflation and currency volatility have resulted in a preference for short-term deposits denominated in foreign currency.

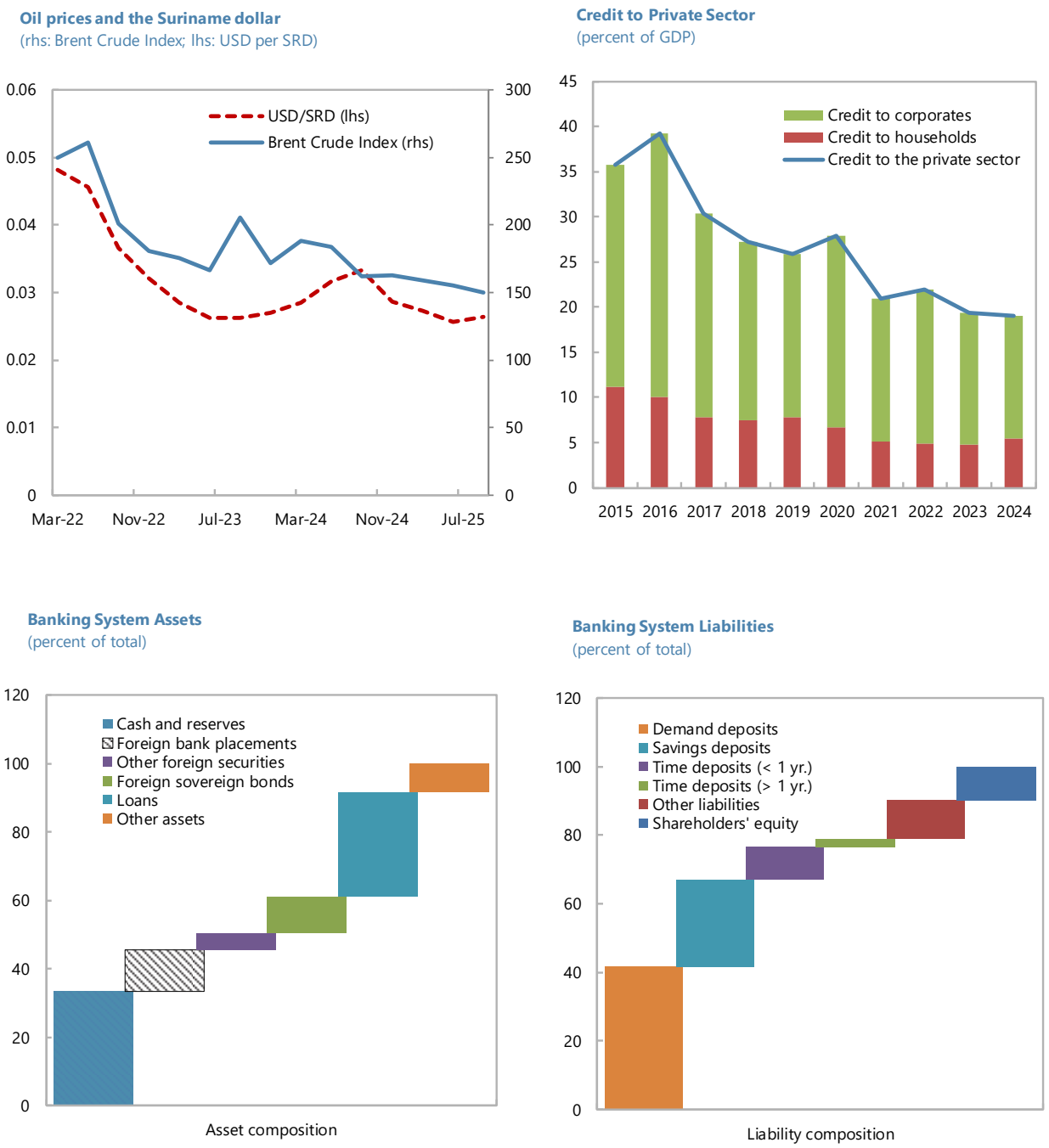
A. Structural Vulnerabilities

22. **Suriname's financial system is dominated by commercial banks, jointly accounting for about 74 percent of its assets.** Insurance companies and pension funds make up 15 percent and 11 percent of financial system assets, respectively. The banking system is concentrated, with four banks collectively holding approximately 87 percent of total banking assets (Text Figure). One of the major banks with a 20 percent market share is partially owned by the state and several small publicly owned institutions are also present. A major regional bank from Trinidad and Tobago controls 20 percent of the domestic market.

23. **Surinamese banks' credit portfolios are concentrated in large corporate entities and public sector borrowers.** This exposes the system to commodity price fluctuations with potential adverse impact on aggregate demand and macroeconomic stability. In particular, the public sector's reliance on volatile commodity revenue has contributed to increased sovereign concentration, intensifying the sovereign-bank nexus. Significant declines in commodity prices can put financial pressure on large corporate and public sector borrowers, with potential knock-on effects on the banking sector.

[2] This section offers background relevant to the subsequent discussion of appropriate macroprudential tools; however, it does not intend to deliver an exhaustive analysis of the systemic risk environment.

Figure 2. Suriname: Banking System Developments



Sources: IMF Commodity Price System, CBvS and CARTAC staff calculations.

24. **Banking sector concentration gives rise to too-big-to-fail risks.** The major banks' size and connections with large insurance companies imply that distress at any of these institutions could jeopardize overall stability, resulting in broader financial and economic disruption. Funding advantages and expectations of public support in the event of a crisis may encourage risk-taking among major banks, increasing the likelihood of contagion. Currently, the four largest banks maintain capital levels that exceed required minimums. However, if credit continues to expand rapidly and macroprudential measures are lacking, their ability to withstand financial stress could gradually decrease.

25. **Financial interconnectedness increases scope for shock propagation.** Distress can propagate across financial institutions through both direct and indirect connections. Shocks may be transmitted via credit exposures, funding relationships, ownership structures, or shared counterparties. In the case of financial conglomerates, these shocks can move between various companies within the group. Even in the absence of direct links, distress at a major institution can disrupt the provision of financial services and undermine market confidence, giving rise to potential moral hazard issues.

26. **Monitoring the linkages between Suriname's commercial banks and insurance companies is critical for financial stability.** Although banking interconnections are small in the context of limited interbank markets, notable sectoral connections include ownership linkages and deposit relationships between major banks and insurance companies. Additionally, cross-border financial interconnections have increased in the aftermath of the COVID crisis as major banks seek to hedge sizable foreign currency liabilities, boosting external investments, primarily in foreign banks and foreign sovereign bonds.

B. Market and Liquidity Risks

Currency risk

27. **Currency shocks can affect financial stability through two main channels.** The first channel is related to banks' exposure to borrowers with currency mismatches between their liabilities and income streams. The second channel stems from potential currency mismatches between banks' assets and liabilities, which can heighten their sensitivity to currency fluctuations.

28. **The Suriname dollar fluctuates significantly due to changes in global commodity prices and local mineral output.** Local currency volatility has encouraged loan dollarization while the absence of well-functioning interbank markets and hedging instruments contributes to uneven foreign exchange (FX) distribution across credit institutions, creating scope for currency mismatches.

29. **Financial dollarization increases banks' currency risk.** For instance, during COVID-19, foreign currency loans showed higher NPLs than domestic ones, likely due to lower commodity prices and exports.

Liquidity and interest rate risks

30. **Systemic liquidity risks often arise when banks rely on unstable funding sources.** Banks that finance illiquid, long-term loans with short-term, wholesale, or external funds face refinancing risks that can trigger asset fire sales and financial losses under market stress (IMF 2014c).

31. **In Suriname, wholesale and external funding risks are limited.** Shallow domestic money and debt markets and limited access to external market funding mitigate banks' refinancing risk. As a result, the banking system is mainly funded by domestic deposits.

32. **Nevertheless, structural weaknesses require substantial liquidity buffers**. The absence of deposit insurance and dependence on short-term, uninsured deposits pose liquidity risks. In addition,

deposit concentration exposes banks to volatile corporate funding, while deposit dollarization constrains the central bank's ability to provide emergency liquidity support.

C. Cyclical Risks

33. **Risks from financial procyclicality and reinforcing credit and asset bubbles are currently mitigated by low intermediation levels** but could increase considerably if the ongoing credit expansion continues, spurred by the anticipated rise in oil production and economic growth by 2028.

34. **In the first half of 2025, private sector credit experienced a strong rebound, primarily driven by foreign currency lending to corporations.** Demand for both corporate and household loans rose as inflation pressures decreased, bank capitalization improved, and government borrowing declined. FX credit—adjusted for exchange rate effects—rose by approximately 30 percent year-on-year in June 2025, primarily driven by corporate borrowing. Meanwhile, real credit in domestic currency increased by about 16 percent year-on-year during this period, with households driving most of this expansion.

35. **Rapid credit growth can accentuate cyclical risks.** The development of Suriname's oil and gas reserves is expected to attract increased foreign investment and boost FX earnings. As domestic incomes grow, demand for credit is likely to intensify. Without macroprudential safeguards, resource-driven inflows and related spending may cause economic overheating and procyclical feedback between credit and property prices. In this context, a potential loosening of borrowing constraints and lending standards may lead to excessive leverage, heightening banks' vulnerability to price corrections and procyclical credit tightening.

D. Sectoral Risks

36. **Banks are exposed to credit concentration risk due to economic structure and a relatively small banking sector.** As of June 2025, corporate credit accounted for 72 percent of private sector credit, rising to nearly 80 percent. In contrast, household leverage decreased throughout the pandemic period and, as of June 2025, constituted less than 30 percent of private sector credit**.** The pandemic also exacerbated existing fiscal and debt challenges, reinforcing the sovereign-bank nexus.

37. **Near-term sectoral risks primarily reflect growing credit exposure to the corporate sector.**

- *Corporate* credit denominated in foreign currency comprises approximately 70 percent of total corporate loans. Closely monitoring FX lending is key to mitigating risks associated with unhedged borrowers.

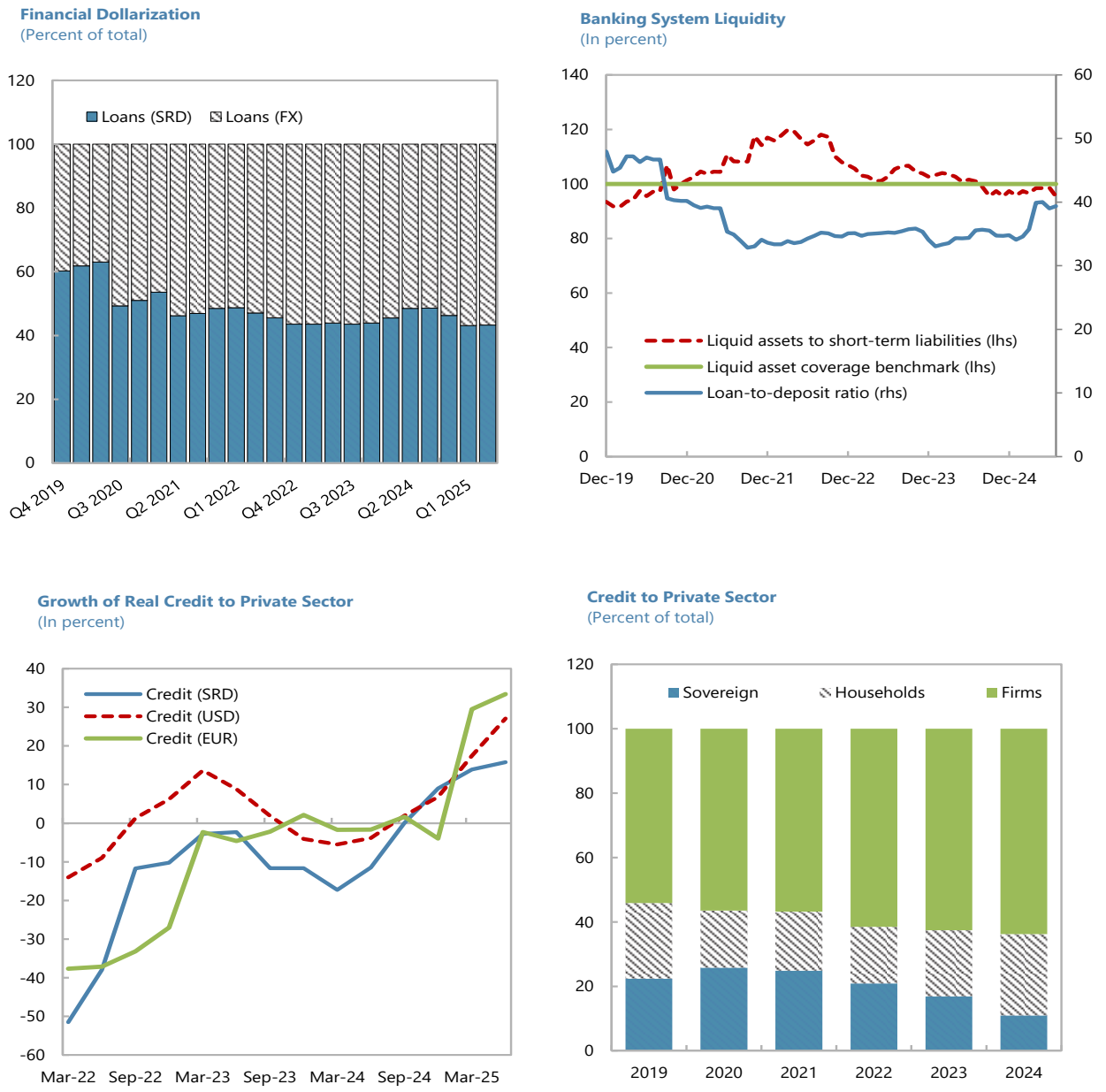
- *Household credit* remains relatively low in absolute terms, but may continue to rise rapidly as economic growth accelerates, and consumer confidence improves. For instance, household credit received a boost in Guyana after the 2016 oil discovery (IMF, 2025b).

- *Sovereign credit* declined significantly to approximately 11 percent of total credit in 2024, down from about 26 percent in 2020. This reduction reflects the settlement of public arrears and a comprehensive public debt restructuring under the EFF, which contributed to a decrease in Suriname's sovereign spread by 1,000 basis points to below 500 basis points as of October 2025 compared to 2021.

38. **Without macroprudential safeguards, rapid credit growth may strain banks' liquidity positions.** Reliance on short-term funding can lead to maturity mismatches while the absence of well-functioning interbank markets complicates liquidity redistribution, resulting in varying liquidity profiles across institutions. A recent credit rebound has pushed the loan-to-deposit ratio up, although from low initial levels. Liquidity risks are primarily in foreign currency and at maturities beyond 30 days. They may increase as the economy recovers, and credit continues to expand.

39. **Increased maturity transformation exposes banks to interest rate risk.** The prevalence of low-cost, short-term funding intensifies banks' maturity transformation, enhancing interest margins when rates rise but compressing margins when rates decline. Increased investment in longer-term credit instruments may heighten banks' sensitivity to interest rate risk without a matching increase in longer-term funding.

Figure 3. Suriname: Banking System Credit and Liquidity Indicators



Sources: CBvS and IMF staff calculations.

IV. Macroprudential Instruments

40. **Macroprudential policy employs prudential tools to mitigate systemic risks — those that can undermine the provision of financial services and economic stability.** Unlike the micro-prudential focus on individual institutions, macroprudential policy aims to address systemic externalities relating to aggregate shocks amplification through financial accelerator mechanisms, procyclical feedback loops due to excessive leverage and risk-taking, and shock propagation via financial interconnections (IMF, 2014a).

41. **The aims of macroprudential measures are thus threefold:** (i) to ensure uninterrupted credit provision under adverse conditions by building buffers during periods of economic strength; (ii) to limit the scope for procyclical feedback between credit and property prices, and reduce risk taking, currency and liquidity mismatches and reliance on short-term, wholesale and external funding; and (iii) to mitigate structural risks arising from financial interconnectedness, systemic importance, and credit concentration.

42. **For Suriname, a well-designed toolkit is essential to establish an effective macroprudential framework.** This involves selecting and tailoring instruments to specific policy objectives and identified vulnerabilities while considering practical implementation constraints. The toolkit should achieve a careful balance between the need to strengthen the system's capacity to withstand shocks and the authorities' broader goal of supporting economic growth through financial deepening and financial inclusion.

43. **By building buffers, reducing excessive risk exposures, and managing leverage and balance sheet mismatches** — particularly during periods of robust economic and credit expansion— macroprudential instruments mitigate a potential buildup of systemic vulnerabilities while improving the banking system's resilience against adverse shocks.

A. IMF Guidance

44. **The IMF recommends a range of tools to address systemic risks (see Annex I).** For broad-based cyclical risks, capital tools such as a CCyB, dynamic provisioning and a leverage ratio are advised. Structural risks from concentration and interconnectedness are typically addressed by capital surcharges for systemically important banks, systemic risk buffers, and exposure limits. Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), and FX measures such as differentiated reserve requirements and open FX position limits are used to mitigate liquidity and FX risks. Sectoral risks arising from real estate exposures or corporate FX lending can be managed through sectoral capital buffers, higher risk weights, and borrower-based loan-to-value (LTV) and debt-service-to-income (DSTI) limits.

45. **A robust macroprudential framework utilizes a combination of reinforcing instruments.** This multi-tool approach allows policy responses to be adjusted as risks evolve. Different tools operate through distinct transmission channels that influence capital, liquidity, or borrower behavior, offering complementary means of risk mitigation. Using several tools in tandem not only enhances policy effectiveness but also reduces regulatory arbitrage, containing systemic risks even if a particular instrument proves ineffective.

46. **Individual instruments can also address multiple risks, offering policymakers greater flexibility.** For instance, the CCyB can moderate broad-based credit growth and at the same time strengthen banks' resilience against sectoral shocks. Likewise, increasing FX liquidity buffers can simultaneously address liquidity mismatches and FX-related credit risks.

47. **The mission conducted a comprehensive review of IMF-recommended macroprudential tools,** focusing on (i) their use in Suriname, (ii) suitability for mitigating local systemic risks, and (iii) practicality for implementation in the short and medium term. The main findings are outlined below.

B. Use of Macroprudential Tools in Suriname

48. **The CBvS has implemented several micro-prudential measures with macroprudential relevance (Table 2).** Under the Suriname' s regulatory framework, banks are required to maintain a solvency ratio of 10 percent, a Tier 1 capital ratio of 6 percent and a CET1 ratio of 4.5 percent of risk-weighted assets (RWA) (2024 Capital Directive). While Tier 1 and CET1 ratios are in line with Basel III requirements, the solvency requirement is set above the Basel III minimum of 8 percent. The authorities also monitor the unweighted leverage ratio, which is included in the standard IMF toolkit.

49. **The CBvS is strengthening its data collection and supervisory capabilities to facilitate the implementation of countercyclical instruments.** While there is currently no active CCyB requirement in place, the 2024 Capital Directive authorizes supervisors to activate such a buffer as well as a capital conservation buffer and a ""risk premium" buffer (based on CAMEL ratings) if needed but there are no specified ranges. The follow-up TA mission will identify additional indicators for CCyB management, beyond the credit-to-GDP gap tracked by the FSD.

50. **Structural risks are monitored.** The CBvS enforces credit concentration limits, capping bank exposure to a single large borrower at 10 percent of Tier 1 capital. Additionally, the FSD utilizes an indicator-based measurement approach following Bramer and Gischer (2012) to identify and monitor systemically important domestic banks (D-SIB) (see Section IV).

51. **To manage liquidity and FX risks, the CBvS has implemented various tools.** A key tool is the differentiated reserve requirement, currently set at 44 percent for domestic currency deposits and 50 percent for foreign currency deposits. Authorities also monitor the ratio of liquid assets to short-term liabilities and a pilot LCR in major currencies, developed with CARTAC TA support. In 2024, to mitigate FX-induced credit risk, the CBvS imposed restrictions on FX lending to unhedged borrowers. Furthermore, banking regulations cap banks' overall FX position at 20 percent of Tier 1 capital.

52. **The implementation of borrower-based measures is constrained by the lack of a credit registry.** This limits the availability of data on individual loans, property appraisals, and borrower income. With TA support, the FSD has developed a methodology for compiling a housing price index. To launch the index, the CBvS needs to coordinate property price updates with the Land Registry.

Table 2. Suriname: Current Macroprudential Tools

Risk	Instrument
Excessive intermediation	Leverage ratio
Liquidity and FX risks	Differentiated reserve requirements Limits on net open FX positions Restrictions on FX lending to unhedged borrowers
Structural risks	Large exposure limits

Source: CBvS.

C. Potential Additional Instruments

Structural Tools

53. **Structural tools are key to limiting the scope for moral hazard among systemically important banks.** The primary strategy involves bolstering the resilience of D-SIBs, especially through the imposition of capital surcharges, to reduce the risks of credit disruption and moral hazard driven by "too-big-to-fail" considerations. Such measures can also address Suriname's exposure to financial conglomeration.

54. **Applying capital surcharges proportional to Surinamese banks' contributions to systemic risks will strengthen systemic risk management.** Internationally, capital surcharges for domestic systemically important banks (D-SIB) typically range from 0.25 to 2.5 percent of RWA, depending on their degree of systemic importance. Section V discusses illustrative examples of D-SIB calibration principles.

Corporate and Sovereign Tools

55. **Risks associated with corporate and sovereign sectors may be effectively managed through sector-specific capital requirements and risk weights, credit caps, or concentration limits.**

- Sectoral systemic risk buffers (sSRB) require banks to hold extra capital against exposures to sectors identified as systemically risky. Several European Union (EU) countries have implemented sSRBs to address sector-specific risks, primarily from the real estate sector.

- Another policy option is to assign higher risk weights to loans to industries and economic sectors with above average contribution to systemic risk.

- Sectoral credit caps and concentration limits—restricting credit growth rates or the share of new corporate credit or applying sectoral concentration constraints—can help reduce exposure to risky sectors, reinforcing capital buffer requirements.

- Individual bank-level concentration risk (including to the sovereign) may be better addressed through Pillar 2 capital requirements.

56. **While the effectiveness of credit caps is constrained by Suriname's limited scope for diversification, sectoral capital tools can improve resilience against sector-wide shocks.** For instance, proactively introducing a sovereign sSRB would increase bank resilience against potential sovereign-related shocks while mitigating the risk of future large buildups of sovereign exposure (see Section V).

Liquidity and Currency Tools

57. **With rapid credit expansion, introducing LCR and NSFR requirements are key to mitigating liquidity risks.** The Basel III framework introduces two key liquidity standards to strengthen the resilience of banks to liquidity risks: the LCR and NSFR. The LCR requires banks to hold enough high-quality liquid assets to cover their total net cash outflows over a 30-day stress period, ensuring they can withstand short-term liquidity disruptions. The NSFR, on the other hand, mandates that banks maintain a stable funding profile against long-term assets over a one-year horizon. Together, these ratios promote short-term and long-term stability in banks' funding and liquidity management.

58. **Due to limited capacity, implementing the Basel III liquidity framework will require further technical assistance and is only practical in the medium term.** In the short term, setting a regulatory floor on the liquid assets to short-term liabilities ratio can strengthen banks' resilience while the authorities finalize pilot LCR calibration. This monitored ratio, similar to the LCR, ensures sufficient liquid asset

coverage. Additionally, establishing core funding requirements, like minimum loan coverage by core funding, supports long-term funding stability and can temporarily substitute for the NSFR since both focus on stable funding. Given high dollarization, liquidity metrics should be tracked in each major currency as well as overall.

59. **While authorities' FX measures appear broadly adequate, continuous monitoring is required to screen out unhedged borrowers.** In addition to the quantitative restrictions imposed by the CBvS on lending to unhedged borrowers, potential additional measures could include higher risk weights on FX loans to households and unhedged corporates. While reliable long-term de-dollarization depends on further improvements in macro-financial conditions, maintaining a wedge between foreign and local currency reserve requirements is essential for countering short-term dollarization pressures (IMF 2014b; IMF 2014c).

Broad-Based Tools

60. **Countercyclical capital instruments strengthen bank resilience during rapid credit expansion while helping smooth out the credit cycle.** A central tool in this context is the CCyB which requires banks to accumulate additional capital when systemic risk is rising – often signaled by excess credit growth (BCBS, 2010). The CCyB typically varies from zero to 2.5 percent of RWA as risks from rapid credit growth are identified based on credit-to-GDP gap and other indicators. In contrast, the buffer is released in economic downturns to absorb losses and reduce the scope for procyclical credit tightening.

61. **The CCyB framework is relevant for commodity-dependent economies with liability dollarization.** In such settings, bank balance sheets tend to amplify commodity price movements (Villca, 2022). When commodity prices rise, the local currency appreciates, reducing the burden of banks' foreign-currency liabilities and thus expanding banks' lending capacity. When prices fall, the opposite effect occurs— debt burdens increase, bank balance sheets shrink, and the risks of credit contractions and financial crises rise, especially if FX reserves are insufficient. To address these challenges, various commodity-exporting countries—including Norway, Chile, South Africa, Malaysia, and Russia—have adopted CCyB frameworks to manage the volatility inherent to their economies.

62. **However, implementing an effective CCyB in a small economy like Suriname presents distinct challenges.** Success depends on timely, granular data and a reliable early warning system to trigger changes in the buffer. Standard credit-to-GDP metrics may not accurately signal risks in economies where GDP and credit growth are volatile due to frequent commodity price swings (IMF 2014c). Therefore, gradual implementation and capacity building are essential.

63. **Adding qualitative data to quantitative measures is often necessary for an effective CCyB policy.** Rapid credit expansion is frequently associated with a decline in lending standards, potentially leading to unsustainable leverage for both borrowers and lenders. Bank lending surveys are useful for detecting relaxed lending standards, particularly in countries with limited capacity (IMF, 2014c).

64. **A growing number of countries maintain a positive CCyB even in the absence of excess credit growth.** The BCBS suggests setting the buffer above zero—for instance at 1 percent in stable conditions—both to enhance resilience and to avoid delays in activation during future credit booms (BCBS, 2024). The rate can be raised during credit booms and reduced to zero under stress (Miettinen and Nier, 2025). An increasing number of countries have adopted this approach, keeping the CCyB at a "neutral" positive rate that does not actively restrict healthy credit expansion but adds a layer of protection.

65. **A feasible strategy for Suriname is to begin with a static, positive CCyB**—similar to the neutral rate recommended by the BCBS—while gradually building the analytical capacity to adjust the buffer

dynamically over the credit cycle. This approach allows banks to use periods of sustained profitability and strong capitalization to build capital buffers above regulatory minimums.

66. **Setting the CCyB above the neutral rate is particularly useful for managing risks when credit expands rapidly.** The buffer should be gradually implemented at a level sufficient to absorb plausible shocks, thereby safeguarding bank equity. Its deployment should be closely aligned with the credit cycle and ongoing risk assessments.

67. **Credit caps can serve as an additional measure when capital buffers alone are insufficient to curb rapid credit growth (IMF, 2014b).** While capital tools create important buffers, they may not directly restrict lending if banks are not close to regulatory capital limits—as is currently the case in Suriname. Broad-based credit caps enforce stricter lending standards and borrower selection criteria, while their application to all loan types prevents substitution across credit categories.

Household Tools

68. **Household sector tools are increasingly used worldwide.** Household leverage can be managed through sectoral capital requirements and risks weights targeting rapidly growing segments such as mortgages and unsecured consumer loans (IMF, 2014b). LTV and DSTI limits are key to containing household leverage and potential risk buildup from mutually reinforcing credit and property cycles.

- LTV caps limit the size of secured loans relative to the value of the underlying asset, commonly applied to mortgage and vehicle loans. These caps reduce bank losses in the event of default, improve lending standards, discourage defaults, and moderate housing demand.

- DSTI caps, on the other hand, limit debt payments relative to household incomes, ensuring loan affordability and reducing borrower exposure to interest rate and income shocks. These caps become more binding when housing prices and mortgage levels outpace incomes, moderating credit expansions. In contrast, LTV limits become less effective as collateral values rise, necessitating adjustments.

69. **Empirical evidence suggests that applying LTV and DSTI caps together could help curb procyclical credit expansion and excessive growth in housing prices.** While sectoral capital buffers enhance resilience, they may be less effective in moderating credit growth when banks hold surplus capital. In contrast, a simultaneous tightening of LTV and DSTI limits has been linked to slower mortgage lending and reduced house price appreciation, mitigating risks of housing market downturns (Malovaná and others, 2022; Apergis and others, 2022; Giannoulakis and others, 2023).

70. **Banks in Suriname generally adhere to internal benchmarks regarding LTV and DSTI ratios.** For residential mortgages, typical internal LTV ratios range from 60 percent to 80 percent, while for commercial mortgages, they span from 60 percent to 75 percent; nevertheless, certain institutions may extend financing up to the full value of commercial properties. DSTI limits commonly cluster around 40 percent, but there is variation among banks and customer segments.

71. **It is important to set uniform and enforceable LTV and DSTI limits as a longer-term objective contingent on further data enhancements.** Accurate calibration of these instruments necessitates detailed data on individual loans and borrowers, which are generally sourced from a credit registry—a resource that often requires considerable time to establish. Meanwhile, the CBvS could consider requesting borrower-level data directly from supervised institutions, for instance through a quarterly bank lending survey.

Recommandations

72. **Suriname's exposure to external shocks highlights the need for a clear roadmap, actionable plan, and regulatory updates to implement a strong macroprudential toolkit.** Using diverse policy tools strengthens system resilience and promotes financial stability. A phased plan backed by regulatory updates would enable the CBvS to adjust its policy stance to the evolving macro-financial environment.

73. **The ongoing economic recovery presents opportunities to further strengthen banks' capital buffers.** In the short-to-medium term, implementing capital surcharges for D-SIBs and establishing a sectoral risk buffer can help mitigate structural risks associated with banking and credit concentration and financial interconnectedness. Given that major banks currently maintain robust capital positions, these measures are not expected to constrain banks' lending capacity.

74. **Expanding liquidity tools is key to managing funding risks emanating from rapid credit growth.** In the short term, setting macroprudential floors on liquid assets to short-term liabilities and core funding ratios is important to further strengthen liquidity management and ensure funding stability while building capacity to implement more complex LCR and NSFR measures over the medium term.

75. **Enhanced data collection and analytical capacity are essential for implementing cyclical instruments.** Resource-driven economic booms can encourage risk-taking and contribute to credit and property price surges without tools to manage credit procyclicality. Further data and capacity enhancements are critical for deploying CCyB, LTV, and DSTI limits over the medium-to-long term. Key data priorities include launching a bank lending survey and compiling a housing price index. In this context, upgrading the financial data reporting portal would support timely data processing and evidence-based policymaking.

V. Instrument Calibration[3]

A. Capital Surcharges for Domestic Systemically Important Banks (D-SIB)

76. **The CBvS evaluates the systemic significance of domestic banks using an indicator-based measurement approach.** This approach, based on Bramer and Gischer (2012), is derived from the BCBS qualitative D-SIB principles and its quantitative framework for rating G-SIBs (BCBS, 2012; BCBS, 2021). The methodology assesses systemic importance by simplifying the BCBS G-SIB approach, particularly regarding cross-border operations. Other Caribbean central banks, for instance the Bank of Jamaica have also implemented this methodology (Bank of Jamaica, 2023).

77. **This approach provides an objective and transparent framework for identifying D-SIB through quantifiable criteria and readily available supervisory and balance sheet information.** The methodology enables the calculation of additional CET1 capital that D-SIBs in Suriname would hold upon implementation of the enhanced loss absorbency standards. Furthermore, the framework offers clear guidance to banks and non-bank financial institutions (NBFI) by pinpointing elements of their operations that contribute to systemic risk, thereby supporting the effective management and mitigation of those risks.

Table 3. Indicators of Systemic Importance

Category	Individual indicators
Size	Total Assets Off-balance sheet items
Interconnectedness	Claims on banking institutions Loans to NBFI Deposits from banking institutions Deposits from NBFI
Non-substitutability	Household loans Corporate loans Government loans
Complexity	Investments securities of which: T-bills, foreign government bonds, securities other than shares, and shares and participations
Domestic sentiment	Household deposits

Source: CBvS.

[3] This section presents illustrative examples of calibration principles which are only indicative. CCyB calibration requires further analysis of systemic risk indicators which will be undertaken by the follow-up mission.

Table 4. Calibration of Capital Surcharges for D-SIBs

Bucket	Score Range	Minimum Surcharge	D-SIBs	Systemic Score
Top bucket	2.50>	3.5		
E	2.00-2.49	2.5		
D	1.50-1.99	2.0		
C	1.00-1.49	1.5	Bank 6 Bank 1 Bank 2	1.38 1. 23 1.04
B	0.50-0.99	1.0	Bank 3	0.86
A	0.00-0.49	0.0		

Source: Central Bank of Suriname.

Note: Capital surcharges are expressed as percentage of RWA.

78. **The systemic importance of Suriname's banks is evaluated using five categories:** (i) size, (ii) interconnectedness, (iii) non-substitutability, (iv) complexity, and (v) domestic sentiment (Table 3). Large banks have greater economic impact if they fail. In addition, interconnected banks can spread distress quickly. Irreplaceable service providers risk disrupting economic activity while complex bank structures hinder resolution. Finally, confidence in major banks is essential for financial stability.

79. **A bank's systemic relevance score is the sum of five equally weighted categories, calculated by dividing each bank's value by the total for all banks.** The scores place Surinamese banks in four tiers with capital surcharges from 0 percent to 2.5 percent of RWA. D-SIBs are identified by a total score over 0.5 and at least 0.1 per category. Table 4 outlines bucket allocations, score ranges, and D-SIB capital surcharges.

B. Sectoral Systemic Risk Buffer (sSRB)

80. **The sSRB can serve as an effective capital buffer against sectoral concentration.** The buffer aims to address systemic risks not covered by the CCyB and existing capital regulations and can be deactivated when risks return to normal levels. By reinforcing the system's resilience against sectoral vulnerabilities, the sSRB enables banks to absorb potential losses while maintaining market stability. Unlike the CCyB, which relies on the credit-to-GDP gap, the sSRB targets identified sector-specific risks. Several EU countries have activated sSRBs ranging from 0.5 to 7 percent of identified sectoral risk exposures.

81. **For instance, the Hungarian National Bank (HNB) calculates the sSRB rate using a combination of NPLs and remaining exposures.** Weights range from 5 percent for performing loans to 100 percent for NPLs or restructured loans. Weighted sectoral exposures are divided by the bank's solvency requirement to produce a "risk ratio" which groups banks into four buckets, depending on their systemic risk contribution (Table 5). Capital surcharges range from 0-2 percent of RWA. The formulas and ranges appear below:

Risk ratio = (100% x NPLs + 5% x remaining credit exposure) / Pillar 1 solvency requirement

sSRB = Calibrated sSRB rate x Total risk exposure amount

Table 5. An Example of Calibration of Sectoral SRB

A bank's risk ratio (percent of capital)	**Calibrated sSRB rate** (percent of risk exposure)
0 – 29.99	0 percent
30 – 59.99	1 percent
60 – 89.99	1.5 percent
> 90	2 percent

Source: Hungarian National Bank.

82. **Applying a sovereign capital buffer would be complementary to existing capital requirements.** Capital regulations do not cover sovereign exposures due to their zero-capital weight. For sovereign risk, non-linear calibration methodologies based solely on banks' sovereign exposure may be suitable, especially as the domestic sovereign securities market develops (see IMF, 2018). This method recognizes that banks need to hold some sovereign securities to fulfill liquidity requirements, foreseeing a gradual and marginal rise in capital surcharges as sovereign exposures increase relative to RWA.

83. **Table 6 shows an example of marginal sovereign SRB surcharges at different exposure levels.** Under this approach, a bank with sovereign exposures of 45 percent of RWA would face a 1 percent sSRB surcharge as different marginal surcharges are applied across the intervals (calculated as 0*15+0.02*15+0.04*10+0.06*5=1.0).

Table 6. An Example of Calibration of Sovereign SRB

Sovereign exposure (percent of RWA)	**sSRB surcharge (percent of RWA)**
< 15	0 percent
15-30	2 percent
30-40	4 percent
40-50	6 percent
> 50	8 percent

Source: IMF (2018).

C. Core Funding Ratio (CFR)

84. **The CFR requires banks to support their lending activities with core funding sources.** Core funding includes stable retail deposits, liabilities over one year, and equity capital. The ratio is calculated by dividing core funding by total loans; a CFR of 100 percent means that all credit is backed by core funding.

85. **Countries apply different CFR standards without a global benchmark.** For example, the Central Bank of New Zealand requires core funding to cover at least 75 percent of total loans. In practice, the New Zealand banking sector's CFR usually remains close to 90 percent.

86. **The Suriname banking sector's credit is currently fully covered by core funding.** As of August 2025, the aggregate core funding ratio was estimated to be above 100 percent for domestic and foreign currencies, reflecting low credit penetration. However, core funding indicators may come under pressure over time if credit growth remains strong.[4]

D. LTV and DSTI Limits

87. **To calibrate LTV and DSTI limits, detailed micro-level debt and income data are essential (Nier et al., 2019).** In the Caribbean, The Bahamas sets an 85 percent LTV limit (with some exceptions from December 2023) and a 50 percent DSTI limit (since August 2022) for household loans. Other countries have different practices. [5]

- *LTV limits.* Most countries, regardless of development level, set LTV limits conservatively, though no global standards exist. LTV caps for residential mortgages often fall between 60 percent and 85 percent, although this depends on the country, loan type, and borrower's situation. For buy-to-let homes, LTV ratios are usually lower—around 70 percent in Ireland and Latvia, or even 60 percent as suggested by the European Systemic Risk Board (ESRB) due to higher risks. LTV ratios for commercial properties tend to be lower compared to those for residential properties. LTV limits in Singapore vary based on how many loans a borrower already has, from 75 percent for the first loan to 45 percent for the second. In India, LTV limits range from 75 percent to 90 percent, depending on the property's value.

- *DSTI limits.* Globally, there is no established single DSTI benchmark. The appropriate DSTI limit depends on factors such as the loan's currency and purpose. Most countries, including some emerging markets, use DSTI limits between 33 percent and 50 percent of a borrower's income. DSTI limits vary in Moldova, depending on the loan's, from 40 percent for local currency loans to 30 percent for foreign currency loans. Romania sets a 40 percent DSTI cap for household loans in domestic currency and 20 percent for foreign currency, with a higher threshold of 45 percent applying to first-time home buyers. France uses a maximum DSTI limit of 33 percent, with some flexibility for first-time home buyers.

[4] Stable deposits were estimated by reducing household deposits by 10 percent, in line with banks' own estimates.

[5] IMF Macroprudential Survey Database, 9th edition.

VI. Macroprudential Strategy: Key Elements

88. **The mission provided guidance on the key elements that a macroprudential strategy should include.** A coherent strategy document is a cornerstone for operationalizing the macroprudential framework as a robust and sustainable policy function. In practice, macroprudential policy demands clear objectives, predictable processes, well-defined responsibilities, and transparent communication to ensure timely and coordinated identification and management of systemic risks. A formal strategy document consolidates these elements, providing the structure and guidance necessary for implementation.

- *Clear Mandate and Objectives*: Macroprudential strategy documents explicitly define the macroprudential mandate, establishing financial stability as a central responsibility of the designated authority. They serve as a reference point for authorities, stakeholders, and regulated institutions regarding the objectives of macroprudential policy and its complementarity with other policies.

- *Structured Decision-Making Framework*: The strategy outlines a systematic framework for monitoring risks, feeding assessments into policy deliberations and activating, calibrating, and releasing instruments. This analytical and procedural clarity ensures decisions are proactive and not *ad hoc*.

- *Enhanced Governance:* The strategy formalizes institutional arrangements—such as committee roles, composition, and responsibilities—and establishes reporting lines and internal coordination mechanisms to ensure consistency throughout decision cycles.

- *Policy toolkit:* A formal strategy document provides clear guidance on macroprudential policy instruments and their connection to intermediate goals (i.e. Czech Republic, Hungary, and Poland).

- *Policy Predictability and Credibility:* By documenting monitored indicators, criteria for policy action, and overall strategy for using the toolkit, the strategy improves policy predictability, guides market expectations, and strengthens confidence in the macroprudential framework.

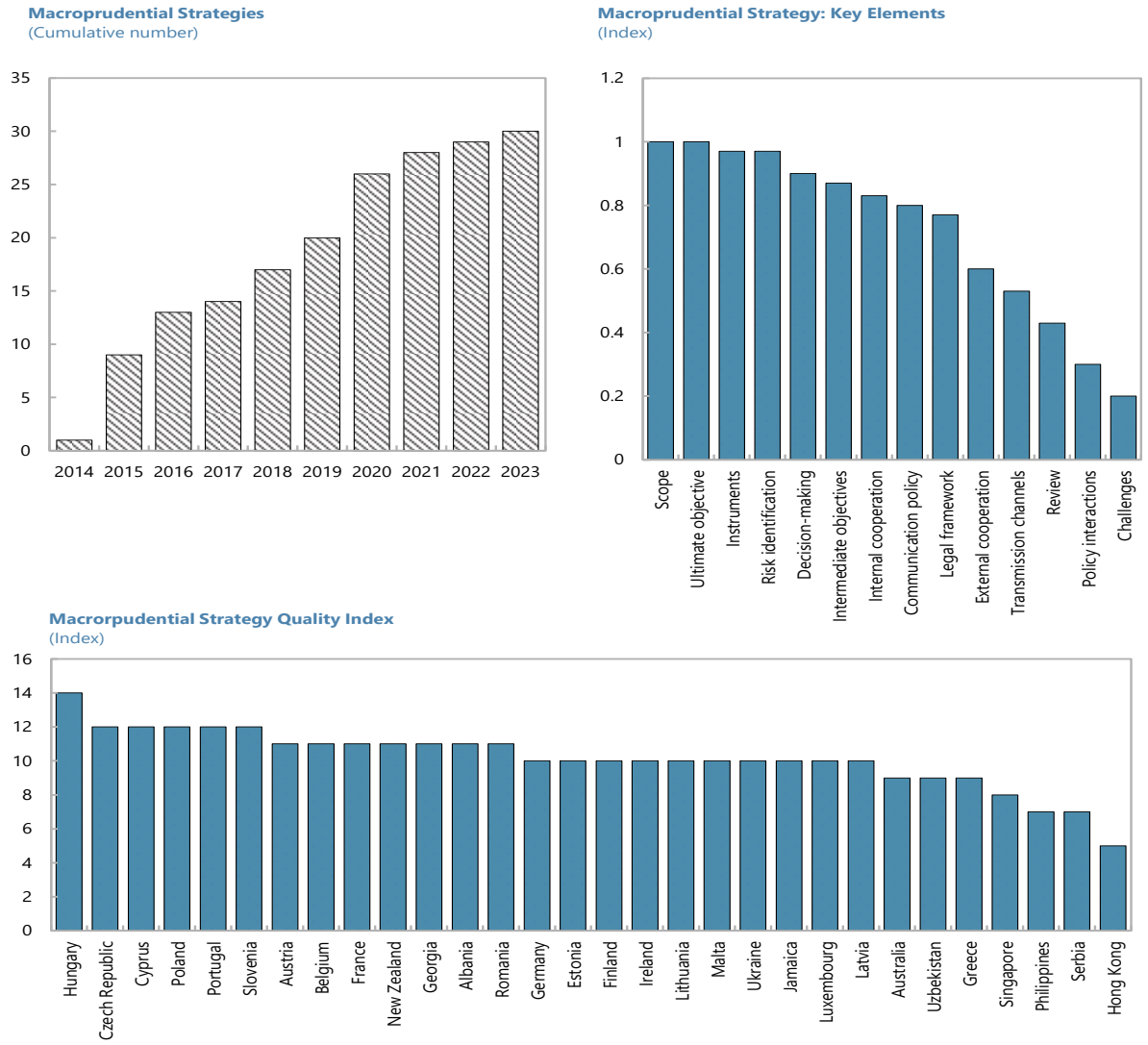
- *Interagency Coordination:* Macroprudential strategies support coordination among the Central Bank, Ministry of Finance, and micro-prudential and monetary policy departments by clarifying information-sharing arrangements and management of potential policy trade-offs.

- *Institutional Continuity and Capacity Building:* The strategy document codifies procedures and analytical approaches, safeguarding operational consistency over time and offering a blueprint for developing analytical, data, and supervisory capabilities.

- *Accountability and Commitment:* Published strategy documents enhance policy accountability and strengthen the macroprudential authority's commitment to proactive policy action.

89. **Publishing an overarching macroprudential strategy is consistent with international best practices.** According to a recent empirical study by Dobrzańska and Smaga (2024), approximately 30 countries with established macroprudential frameworks published comprehensive strategy documents between 2014 and 2023. Although more than 60 percent of the countries are from the EU, there is also a growing number of non-EU countries with published strategies.

Figure 4. Macroprudential Strategies: Key Elements



Source: Dobrzanska and Smaga (2024).

90. **Macroprudential strategies can benefit from incorporating several essential elements:** (i) a discussion of ultimate and intermediate policy objectives, (ii) an outline of macroprudential instruments and how they are linked with intermediate goals, (iii) a framework for applying these instruments—incorporating both systemic risk indicators and policy activation and deactivation criteria, (iv) a description of coordination arrangements at national and cross-border levels, (v) the relevant legal background, and (vi) clarification of the decision-making and communication processes (Dobrzańska and Smaga, 2024).[6]

91. **Recent research shows that many published strategies incorporate at least several of these elements.** The areas that are most frequently covered in macroprudential strategy documents include the ultimate policy objective and description of instruments and risk identification processes (Figure 4). Most strategies also document the decision-making process, intermediate objectives, internal coordination arrangements, and communication strategies. Other potentially useful arrears to consider include elaboration on transmission channels and discussion of medium-term priorities and key challenges.

[6] While these elements have been recommended by the ESRB within the EU, they may also provide useful good practices for non-EU countries seeking to develop their own macroprudential strategies.

VII. Conclusions and Potential Roadmap

92. **The design and implementation of the macroprudential framework should be guided by a timebound roadmap**. The roadmap will encompass guidance on institutional arrangements, analytical infrastructure, toolkit development, governance processes, communication strategies, and implementation sequencing. Its goal is to ensure that the macroprudential framework is deployed in an organized and sequenced manner to maximize efficiency. Short-term priorities include establishing robust governance and strategic foundations, improving data and analytics, and operationalizing existing and readily available tools. Medium-term priorities involve strengthening early warning and stress-testing capabilities to support the introduction of countercyclical and borrower-based tools over the medium-to-long term and enhancing regulatory foundations.

93. **A clear institutional foundation is critical for an effective macroprudential framework.** While the authorities have legislated the macroprudential policy mandate of the CBvS and its financial stability objectives, the roles and responsibilities of key macroprudential units should be explicitly outlined. Structured decision-making processes with clear accountability principles are essential. In this context, incorporating regular reporting on macroprudential policy to the Executive Board into the governance framework would bolster credibility and public confidence.

94. **Operationalizing the framework requires an expanded macroprudential toolkit.** In the short term, it is important to introduce capital buffers for D-SIB and sectoral concentration risk as well as liquid buffer and core funding requirements. In the medium term, enhanced data coverage will support surveillance of borrower leverage and real estate markets, enabling borrower-based instruments.

95. **A robust policy cycle is essential to guide management of macroprudential tools.** Establishing quantitative indicators to inform policy decisions is critical. Each tool should be governed by internal guidance that clearly defines its objective, transmission mechanism, calibration strategy, and operational procedure. This would ensure that instruments are applied appropriately, considering the systemic relevance of identified risks and interactions across tools. Best practices suggest that the decision-making process needs to strike a balance between formal activation rules and guided discretion (IMF 2014a).

96. **A systematic, data-driven approach to identifying and assessing risks is crucial for consistent policy making.** Short-term priorities include a systemic risk dashboard and heatmap with key risks (credit concentration, systemic importance, liquidity and currency mismatches, interconnectedness, and credit cycle). In the medium term, early-warning indicators, financial cycle metrics, and macro-based stress tests will support timely detection of risk build-ups. Launching a survey of bank lending conditions, household debt and income statistics and a housing price index is essential for closing key data gaps.

97. **Effective framework implementation requires strong regulatory foundations.** This may include amending CBvS regulations where necessary to ensure tool enforceability. Internal guidelines need to specify procedures for risk assessment, policy deliberation, tool activation, and reporting. Coordination instructions may be needed for tools that overlap with micro-prudential and monetary policies. Summarizing calibration procedures and policy activation criteria in an internal guide can be beneficial.

98. **Timely and clear communication is essential for supporting policy credibility and anchoring public expectations.** Developing a structured macroprudential communication strategy that clarifies the rationale behind policy decisions, provides updates on systemic risks, and outlines the expected impact of macroprudential measures is essential. Periodic issuance of the FSR to Parliament will reinforce transparency and improve public understanding of macroprudential objectives.

99. **It is important to include mechanisms for evaluating the effectiveness of macroprudential measures in the medium-to-long term framework.** This would involve periodic reviews of the toolkit's calibration, performance of early-warning indicators, and suitability of tools and governance arrangements. Continuous improvement is needed to ensure that the framework remains relevant and adapts to evolving risks.

100. **Successful framework operationalization requires a phased implementation aligned with institutional readiness (Annex II).** Prioritizing foundational elements—such as enhanced data collection, a clear governance structure, and implementation of feasible tools—is essential while building the foundations for introducing more complex instruments. Capacity-building needs should be identified across analytical, supervisory, and communication functions, with a structured plan for training and technical support. A multi-year implementation plan with timebound milestones could help guide this process.

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Annex I. Mapping Systemic Risks to Policy Tools

According to IMF guidance, an effective macroprudential framework requires a targeted approach that systematically aligns each identified systemic risk with appropriate instruments. This alignment is not static; rather, it should be revisited regularly to reflect shifts in the risk environment.

Cyclical Risks

Risks that stem from broad-based credit boom-bust cycles can significantly threaten financial stability. To mitigate these risks, tools that apply to all credit exposures are recommended. These include the CCyB, dynamic provisioning, and a macroprudential leverage ratio that is based on total unweighted assets. The primary function of these measures is to strengthen the resilience of financial institutions and dampen the procyclicality of bank lending. In cases where capital tools are insufficient, placing caps on total credit exposure may also be considered as an additional safeguard.

Structural Risks

Structural vulnerabilities, such as those arising from financial interconnectedness and misaligned incentives within the financial system, can be addressed by implementing capital and liquidity surcharges for banks that are systemically important. These surcharges provide an extra layer of protection against the amplification and transmission of shocks across the system.

Liquidity and Currency Risks

To tackle liquidity and currency risks, liquid buffer requirements, stable (core) funding requirements, and restrictions on open FX positions are utilized. These instruments serve to limit banks' reliance on short-term and foreign currency funding, thereby reducing systemic liquidity risks. Additionally, these tools can play a role in curbing credit booms.

Corporate Sector Risks

When the corporate sector experiences rapid increases in leverage, stricter sectoral capital requirements and adjustments to risk weights become necessary. These measures are designed to contain a potential build-up of corporate vulnerabilities and safeguard overall financial stability.

Household Sector Risks

Elevated levels of household debt and the reinforcing feedback loop between credit and asset prices may require the implementation of measures that restrict household leverage. Examples include LTV and DSTI limits. Furthermore, similar to corporate sector measures, tightening sectoral capital requirements and adjusting credit risk weights can provide additional resilience against risks emerging from the household sector.

Annex II. Roadmap: Potential Milestones

H1 2026

Identify existing micro-prudential and monetary tools with macroprudential relevance.

Select additional macroprudential tools for short-term and medium-term implementation.

Develop a plan to implement suitable macroprudential tools over the short and medium term.

H2 2026

Draft a strategy document detailing macroprudential objectives, institutional and governance frameworks, suitable indicators and instruments, coordination and communication practices.

Identify capacity-building needs across analytical and supervisory functions with a structured plan for training and technical support.

Carry out public consultation on the macroprudential strategy document with the banking sector and conduct a study on the potential impact of new macroprudential tools.

Establish systemic risk indicators and internal guidelines for systemic risk evaluation, policy decisions on activation and release of macroprudential tools, and policy communication.

Issue the Financial Stability Report to Parliament.

Initiate a quarterly survey to assess lending conditions and collect borrower debt and income data.

Upgrade the automated data reporting portal for financial sector data.

Formally approve and release the macroprudential policy strategy to the public.

H1 2027

Start holding semiannual macroprudential policy meetings at the CBvS Executive Board.

Update CBvS regulations as necessary to enable the use of macroprudential instruments.

Provide data reporting instructions for new macroprudential instruments.

Develop macroeconomic scenarios and interconnectedness stress tests with Fund TA support.

Deploy an early warning indicator system in support of adopting a CCyB.

Assess the impact and effectiveness of newly implemented macroprudential measures.