

Technical Communiqué no. 6/2022-SF
 Countercyclical capital buffer 4th quarter 2022

In compliance with *Law 35/2018, of 20 December, on solvency, liquidity and the prudential supervision of banking entities and investment entities* and the *Regulation implementing Law 35/2018, of 20 December, on solvency, liquidity and the prudential supervision of banking entities and investment entities* and, in particular, with article 68.5 of the Regulation, the Andorran Financial Authority (AFA) publishes the countercyclical capital buffer (CCyB) that applies to the fourth quarter of 2022 credit exposures located in the Principality of Andorra, which is set at 0%.

The countercyclical capital buffer calculation for the fourth quarter of 2022, calculated with data from the second quarter of 2022, has turned out to be 0%. This result is given by the increase in gross domestic product in the second quarter that continues reducing the ratio between credit and GDP, and puts it below the trend and, therefore, the gap between both is negative.

Determination of the buffer:

To perform the calculation, the following data has been used based on the *Recommendation of the ESRB of 18 June 2014 on guidance for setting countercyclical buffer rates* (ESRB/2014/1):

Year	Quarter	Ratio Credit/GDP _t	Trend _t	GAP _t	CCyB _t Default	CCyB _t	Period of application
2021	Q3	152,42	145,08	7,34	1,75 %	0%	2022-Q1
2021	Q4	141,53	143,18	-1,65	0 %	0%	2022-Q2
2022	Q1	135,80	140,81	-5,01	0 %	0%	2022-Q3
2022	Q2	133,62	138,74	-5,12	0 %	0%	2022-Q4

t= end-period date, the period being one quarter

$$\text{Ratio} \frac{\text{Credit}}{\text{GDP}_t} = \left[\frac{\text{Credit}_t}{\text{GDP}_t + \text{GDP}_{t-1} + \text{GDP}_{t-2} + \text{GDP}_{t-3}} \right] * 100\%$$

GDP_t= gross domestic product in quarter *t*

Credit_t = credit to households, non-financial companies and financial companies (except credit institutions) resident in the Principality of Andorra.

Trend_t = recursive Hodrick Prescott filtered trend of the Ratio $\frac{\text{Credit}}{\text{GDP}}$ with a smoothing parameter lambda of 1.600, in quarter *t*

GAP_t = Ratio $\frac{\text{Credit}}{\text{GDP}_t}$ -TREN_t in quarter *t*

Default CCyB_t = Countercyclical capital buffer calculated in quarter *t* following the Recommendation of the ESRB on 18 June 2014.

CCyB_t = Countercyclical capital buffer adopted by the AFA, taking into account the Recommendation of the ESRB on 18 June 2014 and the economic and financial situation of the economy of the Principality of Andorra.

Andorra la Vella, 30 September 2022