

BANK OF PORTUGAL IMPLEMENTS COUNTERCYCLICAL CAPITAL BUFFER

Starting from 1 January 2026, credit institutions will be required to establish a countercyclical capital buffer.

Notice no. 7/2024 of the Bank of Portugal imposes a buffer equal to 0,75% of the amount of risk exposures in Portugal.

CONTACTS

ANTÓNIO DE MACEDO VITORINO

AVITORINO@MACEDOVITORINO.COM

ANDRÉ VASQUES DIAS

ADIAS@MACEDOVITORINO.COM

DIOGO FARIA LOPES

DLOPES@MACEDOVITORINO.COM

The Bank of Portugal ("BoP") has approved [Notice no. 7/2024](#) ("**Notice**"), which establishes the countercyclical capital buffer percentage that credit institutions with head offices in Portugal must apply starting from 1 January 2026.

This buffer was introduced in the General Framework for Credit Institutions and Financial Companies in 2014 to comply with European requirements.

The buffer consists of Common Equity Tier I capital, assessed on both an individual and consolidated basis (as applicable), and is calculated by multiplying the total amount of risk exposures by the prevailing percentage. In practice, this buffer requires credit institutions to retain a portion of their profits and/or increase their capital.

The countercyclical buffer percentage is determined by the BoP within a range of 0% to 2,5%, in multiples of 0,25%, and is reviewed on a quarterly basis.

In determining the percentage and conducting its quarterly review, the BoP must consider, particularly:

- The intensity of cyclical systemic risk;
- The buffer guidance set by the BoP;
- The relevant guidelines issued by the European Systemic Risk Board; and
- Any additional factors deemed relevant by the BoP to address cyclical systemic risk.

The Notice sets a countercyclical buffer of 0,75% of the total risk exposures in Portugal, effective from 1st January 2026. Credit institutions may exclude certain exposures (e.g., regional and local governments, public sector entities) from the buffer calculation, provided specific conditions are fulfilled.

This buffer had already been implemented in other European Union countries, including Germany (0,75%), France (1%), Belgium (1%), the Netherlands (2%), Sweden (2%), Denmark (2,5%), and Norway (2,5%). However, some countries temporarily suspended it during the pandemic. Meanwhile, nations like Spain, Italy, Austria, Poland, and Finland, currently apply a 0% buffer, though several have announced plans to introduce it.

The BoP justified its decision to activate the countercyclical buffer at this stage citing a "neutral" period where systemic risk is not in an accumulation phase.

However, given certain risks related to asset overvaluation and the implementation of other buffers may overlap, questions regarding the appropriateness and proportionality of the measure may arise.

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