The Central Bank ("the Bank") has today confirmed the decision to reduce the countercyclical capital buffer (CCyB) rate on Irish exposures to 0%, with immediate effect. The Bank considers the full release of the CCyB to be an appropriate macroprudential response to the impact of the Covid-19 outbreak in order to support the continued provision of credit to households and businesses at this time.

The Bank's objective for the CCyB is to promote banking sector resilience with a view to the buffer being available to release, when necessary, to support the sustainable provision of credit to the economy. The release of the buffer at this time is consistent with this framework.

Recent market turbulence, triggered by COVID-19, is consistent with a widespread reversal of financial conditions and point to potential losses for Irish banks. Market developments most relevant for Ireland point toward levels of stress in excess of that evident around the time of the Brexit referendum.

The necessary public health responses and the inherent uncertainty of the situation will result in a further significant negative drag on economic activity, the duration and scale of which remains uncertain.

A full release of the CCyB frees up approximately €1bn in capital in the banking system to absorb losses and allow banks to support additional credit supply to households and firms. This is in addition to the loss-absorbtion capacity provided by SSM actions.

The Bank expects institutions to use the positive effects of these measures solely in support of the economy and not for dividend distributions.

It is the Bank's intention that no subsequent increase in the CCyB would be announced before the first quarter of 2021 at the earliest. Consistent with the Bank's CCyB framework, subsequent decisions will depend on prevailing macroeconomic and financial conditions.