**RESPONSE TO REFEREE 2**

1. The article is written in an appropriate style but uses abbreviations that are not the same as

Those commonly used. (See my comment where GR is used to abbreviate the Basel Committee). **Response: addressed**.

2. The author(s) mention labelled the “financial crisis” as the “great depression” which is factually incorrect**. Corrected**.

3. The author(s) included a paragraph on findings in the introduction which should have been under “findings and conclusions”. **This paragraph has been moved**.

4. In the overall assessment I am of the opinion that this is a borderline case. I have seen a number of similar studies. I am missing the “wow” factor here. The author(s) actually mentions that more research might be necessary. The article also gives no clear “contribution” to the body of knowledge. **In general, the focus of the paper has been sharpened**. For example, in the abstract we now say: “**Thus unlike previous studies for South Africa** we do not find any evidence that credit extension is pro cyclical and that therefore the common reference guide for implementing countercyclical capital buffers should be used with caution”. **In addition we mention that these previous studies have a limitation in that they do not use the gap between the ratio of credit as a ratio of GDP and its long term Hodrick Prescott (1997) trend which is the BCBS (2010b) proposed measure to determine the level of countercyclical capital buffers**.

5. I am of the opinion that the methodology used is appropriate.

6. I believe that the author(s) should be more “bold” in the conclusion. I don’t see anything “new”. **The conclusion (and abstract) now mention the dangers of applying the proposed reference guide for implementing countercyclical capital buffers in South Africa as it could have adverse consequences for macroeconomic stability.**