



**BANK ĊENTRALI TA' MALTA**  
**EUROSISTEMA**  
**CENTRAL BANK OF MALTA**

**CENTRAL BANK OF MALTA**

**DIRECTIVE NO 7**

*in terms of the*

**CENTRAL BANK OF MALTA ACT  
(CAP. 204)**

**PROVISION OF INTRADAY CREDIT**

*Ref: CBM/07*

## **DIRECTIVE NO 7**

### **PROVISION OF INTRADAY CREDIT**

Issued on 23 January 2008

Amended on 5 June 2009

#### **INTRODUCTION**

1. In terms of article 34(5) of the Central Bank of Malta Act (*Cap.204*), the Central Bank of Malta (hereinafter referred to as “the CBM”) is empowered to make directives in respect of, *inter alia*, payments and security settlement systems. For the purposes of this Directive, terms used in this Directive shall have the same meaning as is assigned to them under the Central Bank of Malta Act unless otherwise stated.
2. This Directive seeks to lay down the framework for the provision of intraday credit to eligible entities.

#### **DEFINITIONS**

3. For the purposes of this Directive:
  - “close links” means close links within the meaning of article 2 of the Banking Act;
  - “credit institution” means (a) a credit institution within the meaning of article 2 of the Banking Act that is subject to supervision by the competent authority and, for the purposes of this Directive, shall include branches operating in Malta under European Community Law and whose head office is situated in another Member State or EEA State and branches authorised to operate in Malta under the Banking Act and whose head office is situated outside other Member States or EEA States; or (b) another credit institution within the meaning of Article 101(2) of the Treaty that is subject to scrutiny of a standard comparable to supervision by a competent authority;
  - “EEA State” means a State which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2<sup>nd</sup> May, 1992 as amended by the Protocol signed at Brussels on 17<sup>th</sup> March, 1993 and as amended from time to time;

- “entity” means a credit institution or the Treasury of the Government of Malta as referred to under paragraph 5 of the Directive;
- “event of default” means any impending or existing event, listed in paragraph 5.1 of CBM Directive No 8 on the Documentation on Monetary Policy Instruments and Procedures, the occurrence of which may threaten the performance by an entity of its obligations under this Directive and CBM Directive No. 6 on Harmonised Conditions for Participation in TARGET2-Malta or any other rules applying to the relationship between a credit institution and any of the members of the European System of Central Banks;
- “insolvency” proceedings” means insolvency proceedings within the meaning of CBM Directive 2 on Payment and Securities Settlement Systems;
- “intraday credit” means credit extended for a period of less than one business day;
- “marginal lending facility” means a Eurosystem standing facility which counterparties may use to receive overnight credit from a national central bank (NCB) at the pre-specified marginal lending rate;
- “marginal lending rate” means the interest rate applicable to the marginal lending facility;
- “Member State” means a State which is a member of the European Union;
- “pledge agreement” means the agreement signed by eligible credit institutions under Directive No 8 on the Documentation on Monetary Policy Instruments and Procedures;
- “PM account” has the same meaning as defined in CBM Directive No 6 on Harmonised Conditions for Participation in TARGET2-Malta.

## **ELIGIBLE ENTITIES**

4. The CBM shall provide intraday credit to the entities referred to in paragraph 5 and which have an account with the CBM. However, no intraday credit may be granted to a credit institution or equivalent established in a country other than Malta.
5. Intraday credit may only be granted to the following entities:
  - (a) credit institutions that are eligible counterparties for Eurosystem monetary policy operations and have access to the marginal lending facility;
  - (b) credit institutions that are not eligible counterparties for Eurosystem monetary policy operations and/or do not have access to the marginal lending facility;
  - (c) the Treasury of the Government of Malta.

## **ELIGIBLE COLLATERAL**

6. Intraday credit shall be based on eligible collateral and granted by means of collateralised intraday overdrafts on the basis of the pledge agreement concluded between the CBM and the entity. Eligible collateral shall consist of the same marketable and non-marketable assets as eligible for Eurosystem monetary policy operations, and shall be subject to the same valuation and risk control rules as those laid down in Annex I to Guideline ECB/2000/7, as amended from time to time by the Governing Council of the European Central Bank (hereinafter “the ECB”).
7. Debt instruments issued or guaranteed by the entity, or by any other third party with which the entity has close links, may only be accepted as eligible collateral in the situations laid down in Section 6.2 of Annex I to Guideline ECB/2000/7.

## **CREDIT EXTENSION PROCEDURE**

8. Access to intraday credit may only be granted on business days or on those other days which the CBM may consider to be business days and which days will be communicated by the CBM to the eligible entities.
9. Intraday credit shall be provided free of interest.
10. (a) For the entities mentioned in paragraph 5(b), intraday credit shall be limited to the day in question and no extension to overnight credit shall be possible.  
  
(b) In accordance with article 101 of the Treaty, the CBM shall not grant overnight credit to the entities mentioned in paragraph 5(c).

11. The failure by an entity referred to in paragraph 5(a) to reimburse the intraday credit at the end of the day shall automatically be considered as a request by such entity for recourse to the marginal lending facility.
12. The failure by an entity referred to in paragraph 5(b) to reimburse the intraday credit at the end of the day for whatever reason shall render that entity liable to the following penalties:
  - (a) if the entity in question has a debit balance on its account at the end of the day for the first time within any twelve-month period, then this entity shall incur penalty interest calculated at a rate of five percentage points above the marginal lending rate on the amount of such debit balance;
  - (b) if the entity in question has a debit balance on its account at the end of the day for at least the second time within the same twelve-month period, then the penalty interest mentioned in subparagraph (a) shall be increased by two and a half (2.5) percentage points for each time additional to the first that a debit position has occurred within this twelve-month period.

#### **SUSPENSION OR TERMINATION OF INTRADAY CREDIT**

13. The CBM shall suspend or terminate access to intraday credit if an event of default or one of the following events occurs:
  - (a) the account of the entity with the CBM is suspended or closed;
  - (b) the entity concerned ceases to meet any of the conditions laid down in this Directive for the provision of intraday credit.
14. Where the CBM suspends or terminates a Eurosystem monetary policy counterparty's access to intraday credit, such suspension or termination shall not take effect until the ECB has approved it.
15. Notwithstanding the provisions of paragraph 14, in urgent circumstances the CBM may suspend a Eurosystem monetary policy counterparty's access to intraday credit with immediate effect. In such cases the CBM shall immediately notify the ECB thereof in writing. The ECB shall have the power to reverse the CBM's action. However, if the ECB does not send the CBM notice of such reversal within ten business days of the ECB's receipt of notification, the ECB shall be deemed to have approved the CBM's action.

## **AMENDMENT PROCEDURE**

16. The CBM may at any time unilaterally amend this Directive. Amendments to this Directive shall be announced by means of publishing on the website of the CBM. Amendments shall be deemed to have been accepted unless an entity expressly objects within fourteen (14) days of being informed of such amendments. An objection can only be made on a question of law or principle. In the event that an entity objects to the amendment, the CBM may, until the matter is resolved, suspend access to intraday credit by that entity.

## **ENTRY INTO EFFECT**

17. This Directive entered into force on 1 January 2008.