



**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 of the Laws of Malta)***

## **PROVISION OF INTRADAY CREDIT AND AUTO-COLLATERALISATION**

*Ref: CBM/07*

Issued on 23 January 2008  
Amended on 5 June 2009, 22 November 2010, 11 April 2011, 21 November 2011,  
3 January 2013, 22 June 2015, 15 April 2016, 30 November 2018 and 20  
November 2019.

## INTRODUCTION

In terms of articles 34(5) of the [Central Bank of Malta Act](#) (*Cap. 204 of the Laws of Malta*)(the Act), the Central Bank of Malta (the Bank) is empowered to make directives in respect of, *inter alia*, payments and security settlement systems.

Directive No 7 entitled 'Provisions of Intraday Credit and Auto-Collateralisation' implements the provisions on Intraday Credit and the conditions for Auto-Collateralisation Operations the found in Annexes III and IIIa of Guideline of the European Central Bank of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2 Guideline), as amended from time to time.

This Directive is divided in three Parts. Part I lays down the framework for the provision of intraday credit to eligible entities, Part II provides for the conditions for Auto-Collateralisation Operations and Part III contains the General Provisions.

## PART I - PROVISION OF INTRADAY CREDIT

### DEFINITIONS

1. For the purposes of this Part the following definitions apply:

- 'branch' means a branch within the meaning of point (17) of Article 4(1) [of Regulation \(EU\) No 575/2013](#);
- 'Directive No 6' means the Central Bank of Malta Directive No 6 entitled 'Harmonised Conditions for Opening and Operating Payments Module Accounts, T2S Dedicated Cash Accounts in TARGET2-Malta, and Tips Dedicated Cash Accounts in TARGET2-Malta'
- 'close links' means close links within the meaning of Article 138 of [Guideline \(EU\) 2015/510](#) of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60);
- 'credit institution' means either: (a) a credit institution within the meaning of Article 2 of the [Banking Act](#) (*Cap. 371 of the Laws of Malta*) or (b) another credit institution within the meaning of Article 123(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 17th 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 paragraphs 4 and 5 of the Directive;
- 'event of default' means any impending or existing event, the occurrence of which may threaten the performance by an entity of its obligations under the provisions of Directive No 6 (including those specified by the Governing Council with respect to Eurosystem monetary policy operations) applying to the relationship between that entity and the Central Bank of Malta, including:
  - (a) where the entity no longer meets the access criteria and/or technical requirements laid down in Annex II and, if applicable, Annex III, or Annex IIa or Annex V of Directive No 6 or where its eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated
  - (b) the opening of insolvency proceedings in relation to the entity;
  - (c) the submission of an application relating to the proceedings referred to in point (b);
  - (d) the issue by the entity of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
  - (e) the entry of the entity into a voluntary general agreement or an arrangement with its creditors;
  - (f) where the entity is, or is deemed by the Central Bank of Malta to be, insolvent or unable to pay its debts;
  - (g) where the entity's credit balance on its PM account, its T2S DCA or its TIPS DCA or all or a substantial part of the entity's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the entity's creditors;
  - (h) where participation of the entity in another TARGET2 component system and/or in an ancillary system has been suspended or terminated;
  - (i) where any material representation or pre-contractual statement made by the entity or which is implied to have been made by the entity under the applicable law is incorrect or untrue; or
  - (j) the assignment of all or a substantial part of the entity's assets;
- 'Guideline (EU) 2015/510' means Guideline (EU) 2015/510 of the European Central

Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60);

- 'intraday credit' means credit extended for a period of less than one business day;
- 'investment firm' means an investment firm within the meaning of Article 4(1)(1) of [Directive 2014/65/EU](#) of the European Parliament and of the Council<sup>1</sup> excluding the institutions specified in Article 2(1) of [Directive 2014/65/EU](#), provided that the investment firm in question is: (a) authorised and supervised by a recognised competent authority, which has been designated as such under Directive 2014/65/EU; and (b) entitled to carry out the activities referred to under items 2, 3, 7, 8 to the First Schedule of the [Investment Services Act \(Cap. 370 of the Laws of Malta\)](#);
- '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;
- 'normal insolvency proceedings' means insolvency proceedings within the meaning of Regulation 2 of the [Recovery and Resolution Regulations \(S.L 330.09\)](#);
- 'pledge agreement' means the agreement signed by eligible credit institutions under [Directive No 8](#) entitled 'Monetary Policy Instruments and Procedures';
- 'PM account' has the same meaning as defined in CBM Directive No 6 on Harmonised Conditions for Opening and Operating Payments Module Accounts, T2S Dedicated Cash Accounts in TARGET2-Malta, and Tips Dedicated Cash Accounts in TARGET2-Malta;
- 'T2S Dedicated Cash Account (T2S DCA)' means an account held by a T2S DCA holder, opened in TARGET2, and used for cash payments in relation to securities settlement in T2S;
- 'TIPS Dedicated Cash Account (TIPS DCA)' means an account held by a TIPS DCA holder, opened in TARGET2, and used for the provision of instant payment services to its customers.

Unless otherwise defined in this Directive, terms used in this Directive shall have the same meaning as are assigned to them under the Act.

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<sup>1</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending ECB-PUBLIC 33 Directive 2002/92/EC and Directive 2011/61/EU OJ L 173, 12.06.2014, p. 349.

## ELIGIBLE ENTITIES

2. Each euro area National Central Bank shall provide intraday credit to credit institutions established in the Union or EEA that are eligible counterparties for Eurosystem monetary policy operations, have access to the marginal lending facility and have an account with the relevant euro area National Central Bank, including when those credit institutions act through a branch established in the Union or the EEA and including branches established in the Union or the EEA of credit institutions that are established outside the EEA, provided that such branches are established in the same country as the relevant euro area National Central Bank.

No intraday credit may be provided to entities that are subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the Bank, after informing the ECB, is incompatible with the smooth functioning of TARGET2.

3. Intraday credit may also be granted to the following entities:

(a) credit institutions established in the EEA that are eligible counterparties for Eurosystem monetary policy operations and have access to the marginal lending facility, including when those credit institutions act through a branch established in the EEA and including branches established in the EEA of credit institutions that are established outside the EEA

(b) credit institutions established in the Union or the EEA that are not eligible counterparties for Eurosystem monetary policy operations and/or do not have access to the marginal lending facility, including when they act through a branch established in the Union or the EEA and including branches established in the Union or the EEA of credit institutions that are established outside the EEA;

(c) treasury departments of central or regional governments of Member States and public sector bodies of Member States authorised to hold accounts for customers;

(d) investment firms established in the Union or the EEA provided that they have concluded an arrangement with a Eurosystem monetary policy counterparty to ensure that any residual debit position at the end of the relevant day is covered; and

(e) entities other than those falling within point (b) that manage ancillary systems and act in that capacity, provided that the arrangements for granting intraday credit to such entities have been submitted to the Governing Council in advance and have been approved by the Governing Council,

provided that in the cases specified in points (a) to (d) the entity receiving intraday credit is established in the same jurisdiction as the Central Bank of Malta providing the intraday credit.

All overnight credit granted to eligible central counterparties shall be subject to the terms of this Directive (including the provisions in relation to eligible collateral).

The sanctions provided for in paragraphs 10 and 11 shall apply when eligible central counterparties fail to reimburse the overnight credit extended to them by the Central Bank of Malta.

4. For the entities mentioned in paragraph 3(a) to (d), and in accordance with Article 19 of [Guideline \(EU\) 2015/510](#), intraday credit shall be limited to the day in question and no extension to overnight credit shall be possible.

By way of derogation, the Governing Council may decide, by means of a reasoned prior decision, to provide access to the marginal lending facility to certain eligible central counterparties (CCPs), within the scope of Article 139(2)(c) of the Treaty in conjunction with Articles 18 and 42 of the [Statute of the ESCB](#) and Article 1(1) of [Guideline \(EU\) 2015/510](#). Such eligible CCPs are those that, at all relevant times:

- (a) are eligible entities for the purposes of paragraph 3(d), provided also that those eligible entities are authorised as CCPs in accordance with the applicable Union or national legislation;
- (b) are established in the euro area;
- (c) are subject to supervision and/or oversight by competent authorities;
- (d) comply with the oversight requirements for the location of infrastructures offering services in euro, as amended from time to time and published on the ECB's website<sup>2</sup>;
- (e) have accounts in the Payments Module (PM) of TARGET2; and
- (f) have access to intraday credit.

#### **ELIGIBLE COLLATERAL**

5. Intraday credit shall be based on eligible collateral and granted by means of collateralised intraday overdrafts and/or intraday repurchase transactions in compliance with the additional minimum common features (including the events of default therein listed, as well as their respective consequences) that the Governing Council specifies with respect to Eurosystem monetary policy operations.

Eligible collateral shall consist of the same assets as eligible for use in Eurosystem monetary policy operations, and shall be subject to the same valuation and risk control rules as those laid down in Part Four of [Guideline \(EU\) 2015/510](#).

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<sup>2</sup> The Eurosystem's current policy for the location of infrastructure is set out in the following statements, which are available on the ECB's website at ECB-PUBLIC 34 [www.ecb.europa.eu](http://www.ecb.europa.eu): (a) the policy statement on euro payment and settlement systems located outside the euro area of 3 November 1998; (b) the Eurosystem's policy line with regard to consolidation in central counterparty clearing of 27 September 2001; (c) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions of 19 July 2007; (d) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions: specification of 'legally and operationally located in the euro area' of 20 November 2008; (e) the Eurosystem oversight policy framework, revised version of July 2016.

Intraday credit shall only be granted once the eligible assets provided as collateral have been finally transferred or pledged. For this purpose, counterparties shall pre-deposit or shall have pledged the eligible assets with the Bank or settle the eligible assets with the Bank on a delivery-versus-payment basis.

6. 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 Part Four of [Guideline \(EU\) 2015/510](#).

6a. Use of ineligible collateral may result in the application of sanctions in accordance with Part Five of [Guideline \(EU\) 2015/510](#).

#### **CREDIT EXTENSION PROCEDURE**

7. Access to intraday credit may only be granted on business days or on those other days which the Bank may consider to be business days and which days will be communicated by the Bank to the eligible entities.

8. Intraday credit shall be provided free of interest.

9. The failure by an entity referred to in paragraph 3 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.

If an entity referred to in paragraph 4 holds a TIPS DCA, any end-of-day balance on its TIPS DCA, recorded in accordance with Appendix III of Annex V of Directive No 6, shall be taken into account for the purpose of calculating the amount of the entity's recourse to the automatic marginal lending facility. This shall not, however, trigger any equivalent release of assets pre-deposited as collateral for the underlying outstanding intraday credit.

10. The failure by an entity referred to in paragraph 2(a), (c) or (d) 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; and

(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, LIMITATION OR TERMINATION OF INTRADAY CREDIT**

11. (a) The CBM shall suspend or terminate access to intraday credit if one of the following

events of default occurs:

(i) the account of the entity with the CBM is suspended or closed; the entity concerned ceases to meet any of the requirements laid down in this Directive for the provision of intraday credit;

(ii) a decision is made by a competent judicial or other authority to implement in relation to the entity a procedure for the winding-up of the entity or the appointment of a liquidator or analogous officer over the entity or any other analogous procedure;

(iii) the entity becomes subject to the freezing of funds and/or other measures imposed by the Union restricting the entity's ability to use its funds;

(iv) the entity's eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated.

(b) The Bank may suspend or terminate access to intraday credit, if it suspends or terminates the participant's participation in TARGET2 pursuant to Article 34(2)(b) to (e) of Annex II of Directive No 6, or one or more events of default (other than those referred to in Article 34(2)(a) of Annex II of) occur.

(c) If the Eurosystem decides to suspend, limit or exclude counterparties' access to monetary policy instruments on the grounds of prudence or otherwise in accordance with Article 158 of Guideline (EU) 2015/510, Bank shall implement that decision in respect of access to intraday credit pursuant to provisions in the contractual or regulatory arrangements applied by the respective NCBs.

(d) The Bank may decide to suspend, limit or terminate a participant's access to intraday credit if the participant is deemed to pose risks on the grounds of prudence. In such cases, the Bank shall immediately notify the ECB and other participating NCBs and connected CBs thereof in writing. Where appropriate, the Governing Council shall decide upon uniform implementation of the measures taken in all TARGET2 component systems.

12. Where the Bank decides to suspend, limit or terminate a Eurosystem monetary policy counterparty's access to intraday credit in accordance with paragraph 11(d) above, such decision shall not take effect until the ECB has approved it.

13. Notwithstanding the provisions of paragraph 12, in urgent circumstances the Bank may suspend a Eurosystem monetary policy counterparty's access to intraday credit with immediate effect. In such cases the Bank shall immediately notify the Bank thereof in writing. The ECB shall have the power to reverse the Bank's action. However, if the ECB does not send to the Bank, notice of such reversal within ten business days of the ECB's receipt of notification, the ECB shall be deemed to have approved the Bank's action.

## PART II - CONDITIONS FOR AUTO-COLLATERALISATION OPERATIONS

### DEFINITIONS

14. For the purposes of this Part the following definitions shall apply:

- 'auto-collateralisation' means intraday credit granted by the Central Bank of Malta in central bank money triggered when a T2S DCA holder has insufficient funds to settle securities transactions, whereby such intraday credit is collateralised either with the securities being purchased (collateral on flow), or with securities already held by the T2S DCA holder (collateral on stock). An auto collateralisation transaction consists of two distinct transactions, one of the granting of auto-collateralisation, one for its reimbursement and may also include a third transaction for any eventual collateral relocation. For the purposes of Article 16 in Annex IIa, all three transactions are deemed to have been entered into the system and deemed to be irrevocable at the same time as the transaction for the granting of the auto-collateralisation;
- 'available liquidity' means the credit balance on the T2S DCA decreased by the amount of any processed reservations of liquidity or blocking of funds;
- 'branch' means a branch within the meaning Article 2 of the [Banking Act \(Cap.371 of the Laws of Malta\)](#);
- 'close links' means close links within the meaning of article 2 of the [Banking Act \(Cap. 371 of the Laws of Malta\)](#);
- 'credit institution' means (a) a credit institution within the meaning of article 2 of the [Banking Act \(Cap. 371 of the Laws of Malta\)](#) that is subject to supervision by a competent authority; or (b) another credit institution within the meaning of Article 123(2) of the Treaty on the Functioning of the European Union that is subject to scrutiny of a standard comparable to supervision by a competent authority;

'T2S Dedicated Cash Account (T2S DCA)' means an account held by a T2S DCA holder, opened in TARGET2-Malta, and used for cash payments in relation to securities settlement in T2S;

'event of default' means any impending or existing event, the occurrence of which may threaten the performance by an entity of its obligations under the provisions of Directive No 6, this Part or any other rules (including those specified by the Governing Council with respect to Eurosystem monetary policy operations) applying to the relationship between that entity and any of the Eurosystem CBs, including:

- (a) where the entity no longer meets the access criteria and/or technical requirements laid down in Annex II, and, if applicable Annex III or Annex IIa or Annex V of Directive No 6 or where its eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated;

- (b) the opening of insolvency proceedings in relation to the entity;
  - (c) the submission of an application relating to the proceedings referred to in point (b);
  - (d) the issue by the entity of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
  - (e) the entry of the entity into a voluntary general agreement or an arrangement with its creditors;
  - (f) where the entity is, or is deemed by the Central Bank of Malta to be, insolvent or unable to pay its debts;
  - (g) where the entity's credit balance on its PM account, T2S DCA, or TIPS DCA or all or a substantial part of the entity's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the entity's creditors;
  - (h) where participation of the entity in another TARGET2 component system and/or in an ancillary system has been suspended or terminated;
  - (i) where any material representation or pre-contractual statement made by the entity or which is implied to have been made by the entity under the applicable law is incorrect or untrue; or
  - (j) the assignment of all or a substantial part of the entity's assets.
- 'insolvency proceedings' means insolvency proceedings within the meaning of Directive 2 entitled 'Payment and Securities Settlement Systems';
  - 'TIPS Dedicated Cash Account (TIPS DCA)' means an account held by a TIPS DCA holder, opened in TARGET2, and used for the provision of instant payment services to its customers;

Unless otherwise defined in this Directive, terms used in this Directive shall have the same meaning as are assigned to them under the Act.

## **ELIGIBLE ENTITIES**

15. Notwithstanding paragraph 27, the Bank shall, from 18 September 2017 and further to a request, offer auto-collateralisation facilities to the entities to which it provides intraday credit in accordance with Part I of this Directive, on condition that such entities have both a T2S DCA and a PM account with the Bank and are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the Central Bank of Malta after informing the ECB, is incompatible with the smooth functioning of TARGET2.

16. Auto-collateralisation shall be limited to intraday only. No extension to overnight credit

shall be possible.

## **ELIGIBLE COLLATERAL**

17. Auto-collateralisation shall be based on eligible collateral. Eligible collateral shall consist of the same assets as eligible for use in Eurosystem monetary policy operations, and shall be subject to the same valuation and risk control rules as those laid down in Part 4 of [Guideline \(EU\)2015/510](#).

Furthermore, eligible collateral for auto-collateralisation:

(a) may be limited by euro area NCBs by means of an ex ante exclusion of potential close-link collateral;

(b) shall, in the case of cross-border use, be mobilised through a link assessed as eligible for use in Eurosystem credit operations by the Governing Council of the ECB and published on the website of the ECB<sup>3</sup>;

(c) is subject to certain discretionary choices for the exclusion of eligible collateral as granted to the euro area NCBs by decisions of the Governing Council of the ECB;

18. Debt instruments issued or guaranteed by the entity, or by any third party with which the entity has close links, may only be accepted as eligible collateral in the situations laid down in Part Four of [Guideline \(EU\) 2015/510](#).

18a. Use of ineligible collateral may result in the application of sanctions in accordance with Part Five of [Guideline \(EU\) 2015/510](#).

## **CREDIT PROVISION AND RECOVERY PROCEDURE**

19. Auto-collateralisation may only be provided on business days.

20. Credit obtained by means of auto-collateralisation shall be provided free of interest.

21. Fees shall be charged for the provision of auto-collateralisation in line with the fee schedule attached as Appendix VI to Annex IIA of Directive No 6.

22. Auto-collateralisation may be reimbursed at any time during the day by the T2S DCA holder by following the procedure described in the T2S UDFS.

23. Auto-collateralisation shall be reimbursed at the latest at the time defined in Annex IIA of Directive No 6, and in accordance with the following process:

(a) the Bank acting via the T2S Platform releases the reimbursement instruction which is settled subject to cash being available to reimburse outstanding auto-collateralisation;

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<sup>3</sup> <http://www.ecb.int/paym/coll/coll/ssslinks/html/index.en.html>

(b) if, after performing step (a), the balance on the T2S DCA is not sufficient to reimburse outstanding auto-collateralisation, the Bank acting via the T2S Platform checks other DCAs opened in its books for the same T2S DCA holder and transfers cash from any or all of these to the T2S DCA where reimbursement instructions are pending;

(c) if, after performing steps (a) and (b), the balance on a T2S DCA is not sufficient to reimburse outstanding auto-collateralisation, the T2S DCA holder shall be deemed to have instructed the Bank to transfer the collateral which was used to obtain the outstanding auto-collateralisation to the collateral account of the Bank. Thereafter, the Bank shall provide the liquidity to reimburse the outstanding auto-collateralisation and shall without undue delay debit the relevant PM account of the T2S DCA holder;

(d) The Bank shall apply a penalty fee of EUR 1000 for each business day where one or more recourses to collateral relocation under point (c) occur. The penalty fee shall be debited from the relevant PM account of the T2S DCA holder referred to in paragraph (c) .

#### **SUSPENSION, LIMITATION OR TERMINATION OF AUTO-COLLATERALISATION FACILITIES**

24. (a) The Bank shall suspend or terminate access to auto-collateralisation facilities if one of the following events of default occurs:

- (i) the T2S DCA, TIPS DCA or PM account of the entity with the CBM is suspended or closed;
- (ii) the entity concerned ceases to meet any of the requirements laid down in this Part;
- (iii) a decision is made by a competent judicial or other authority to implement in relation to the entity a procedure for the winding-up of the entity or the appointment of a liquidator or analogous officer over the entity or any other analogous procedure;
- (iv) the entity becomes subject to the freezing of funds and/or other measures imposed by the Union restricting the entity's ability to use its funds;
- (v) the entity's eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated.

(b) The Bank may terminate access to auto-collateralisation facilities if another NCB suspends or terminates the T2S DCA holder's participation in TARGET2 pursuant to Article 24(2)(b) to (d) Annex IIA of Directive No 6, or if one or more events of default (other than those referred to in Article 24(2)(a) of the same occur.

(c) The Eurosystem may decide to suspend, limit or exclude counterparties' access to monetary policy instruments on the grounds of prudence or otherwise in accordance with Article 158 of [Guideline \(EU\) 2015/510](#).

(d) The Central Bank of Malta may decide to suspend, limit or terminate a T2S DCA holder's access to auto-collateralisation facilities if the T2S DCA holder is deemed to pose risks on the grounds of prudence. In such cases, the Central Bank of Malta shall immediately notify the ECB and other euro area NCBs and connected NCBs thereof in writing. Where appropriate, the Governing Council shall decide upon uniform implementation of the measures taken in all TARGET2 component systems.

25. Where the Bank decides to suspend, limit or terminate a T2S DCA holder's access to auto-collateralisation facilities in accordance with paragraph 26(d), such decision shall not take effect until the ECB has approved it.

26. By derogation from paragraph 27, in urgent circumstances the Bank may suspend a T2S DCA holder's access to auto-collateralisation facilities with immediate effect. In such cases the Bank shall immediately notify the ECB thereof in writing. The ECB shall have the power to reverse the action taken by the Bank. However, if the ECB does not send the Bank notice of such reversal within ten business days of the ECB's receipt of notification, the ECB shall be deemed to have approved the Bank's action.

#### **TRANSITIONAL PROVISION**

27. By derogation from paragraph 15, in the period from 22 June 2015 to 18 September 2017 the Central Bank of Malta may, further to a request, offer auto-collateralisation facilities to the entities to which it provides intraday credit in accordance with Part I of this Directive, on condition that such entities have both a T2S DCA and a PM account with the Central Bank of Malta and are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the Central Bank of Malta after informing the ECB, is incompatible with the smooth functioning of TARGET2.

### **PART III - GENERAL PROVISIONS**

#### **AMENDMENT PROCEDURE**

28. The Bank may at any time unilaterally amend this Directive. Amendments to this Directive shall be announced by means of a notice on the Bank's website. 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 Bank may, until the matter is resolved, suspend access to intraday credit by that entity.

#### **ENTRY INTO EFFECT**

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