



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

MFSA MALTA
FINANCIAL
SERVICES
AUTHORITY

STATEMENT OF DECISION ON THE IDENTIFICATION OF OTHER
SYSTEMICALLY IMPORTANT INSTITUTIONS AND THE RELATED
CAPITAL BUFFER CALIBRATION

1. Background

The other systemically important institutions (O-SIIs) capital buffer is a macro-prudential tool legally embedded in the CRDV/CRRII framework¹ which, in turn, has been domestically transposed in the Central Bank of Malta Directive No. 11² and Malta Financial Services Authority Banking Rule 15³. The O-SII buffer consists of a capital surcharge which is applied to institutions that, due to their systemic importance are more likely to create risks to financial stability arising from misaligned incentives and moral hazard. Whilst maximizing private benefits through rational decisions, these institutions may bring negative externalities into the financial system and contribute to market distortions. This additional capital buffer is applied to domestic systemically important institutions to enhance their resilience by increasing their loss absorbing capacity, thereby ensuring that these institutions pose reduced risk to the domestic economy in the form of externalities.

Pursuant to LN 29 of 2014 (S.L.204.06), the Central Bank of Malta and the Malta Financial Services Authority (hereinafter referred to as 'the Authorities') developed a methodology in 2016 for the identification of O-SIIs and the related capital calibration. Following a review, in 2019, the Authorities decided to revise and update the 2016 O-SII Methodology with the aim to better reflect the developments in the domestic financial sector and to further align the domestic O-SII methodology with the EBA Guidelines.⁴

The Authorities launched a public consultation on the revised methodology on the 25th October 2019, which concluded on the 8th November 2019.

2. Statement of Decision

After taking into account the consultation feedback, the Authorities are hereby confirming the revised methodology.⁵

Based on the revised O-SII methodology, four institutions are now being designated as O-SIIs. The table below lists these institutions together with their applicable capital buffer rates. These credit institutions have been provided with more details on the results of the methodology via a separate communication.

¹ It is to be noted that the provisions of the CRDV/CRRII referred to in this Statement of Decision would come into effect from 29 December 2020 / 28 June 2021.

² [Directive No. 11 – Macro-prudential Policy](#)

³ [BR/15/2015 Capital Buffers of Credit Institutions Authorised under the Banking Act 1994](#)

⁴ Criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) [https://eba.europa.eu/sites/default/documents/files/documents/10180/930752/964fa8c7-6f7c-431a-8c34-82d42d112d91/EBA-GL-2014-10%20\(Guidelines%20on%20O-SIIs%20Assessment\).pdf](https://eba.europa.eu/sites/default/documents/files/documents/10180/930752/964fa8c7-6f7c-431a-8c34-82d42d112d91/EBA-GL-2014-10%20(Guidelines%20on%20O-SIIs%20Assessment).pdf).

⁵ CBM-MFSA Policy Document on the revised methodology for the identification of other systemically important institutions (O-SIIs) and the related capital buffer calibration': <https://www.centralbankmalta.org/file.aspx?f=92703>

Table 1: Designated O-SIIs and applicable capital buffer rates

Credit Institution	Buffer rate
Bank of Valletta Group (BOV)	2.0%
HSBC Bank Malta plc (HSBC)	1.5%
MDB Group Ltd (MED)	0.5%
APS Bank plc (APS)	0.25%

The institutions previously identified as O-SIIs (BOV, HSBC and MED), shall continue to maintain their fully-loaded O-SII capital buffer rates at the current levels as no material changes in the applicable buffer rates were brought about for these banks under the revised methodology. With respect to APS Bank plc, being a newly identified O-SII, the transitory provisions outlined in table 2 below shall apply.

Table 2: Transitory provisions for the build-up of O-SII buffer for APS Bank plc

Credit Institution	2020	2021	2022	2023
APS Bank plc (APS)	0.0625%	0.125%	0.1875%	0.25%

This decision is to come into force with immediate effect, with the capital buffer rates for designated O-SIIs being applicable as from the date of publication of this Statement of Decision.

20 January 2020