



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

**CENTRAL BANK OF MALTA**

**DIRECTIVE NO 18**

*in terms of the*

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

**On Moratoria on Credit Facilities in  
Exceptional Circumstances**

*Ref: CBM/18*

**DIRECTIVE NO 18**

**REGULATION ON MORATORIA  
ON CREDIT FACILITIES IN  
EXCEPTIONAL CIRCUMSTANCES**

**Issued on: 13 April 2020.**

**Amended on: 23 April 2020, 30**

**June 2020 and 14 January 2021**

**OBJECTIVE OF THE DIRECTIVE**

1. In terms of regulation 7 of L.N. 142 of 2020 ‘Moratorium on Credit Facilities in Exceptional Circumstances Regulations’ (‘the Regulations’), the Central Bank of Malta has been empowered to issue and amend a Directive to regulate the moratorium on credit facilities in exceptional circumstances applicable under the Regulations.
2. The objective of this Directive is to implement the provisions of regulation 6 of the Regulations for the eligibility criteria of borrowers seeking a moratorium on credit facilities, as amended by L.N. 15 of 2021.

**SCOPE AND APPLICATION**

3. Credit and financial institutions shall grant a moratorium on capital and interest, unless the borrower decides to continue to pay the relevant interest, applicable to all credit facilities advanced by a credit or financial institution established in Malta to borrowers that have been materially affected by the COVID-19 outbreak, subject to the eligibility criteria set out in this Directive.

**DEFINITIONS**

4. The following definitions shall apply for the purposes of this Directive:
  - a) “**Borrower**” means a natural and/or a legal person/s, who is granted a credit facility by a credit or financial institution;
  - b) “**Credit facility**” means the lending of a sum of money by way of an advance, overdraft, or loan, or any other line of credit including discounting of bills of exchange and promissory notes, guarantees, indemnities, acceptances and bills of exchange endorsed *pour aval*; credit cards are excluded from this directive;
  - c) “**Credit institution**” shall have the same meaning assigned to it in Article 2 of the [Banking Act](#) and includes any branch, agency or office in Malta of a bank or credit institution not incorporated in Malta;
  - d) “**CRR**” means Regulation 575/2013/EU of the European Parliament and of the Council of

26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation 648/2012/EU;

- e) **“Debt”** means the total committed secured and unsecured borrowing by a borrower;
- f) **“EBA Guidelines”** means European Banking Authority Guideline (EBA/GL/2020/02) published on 2 April 2020, as amended by EBA/GL/2020/08 published on 25 June 2020, and EBA/GL/2020/15 published on 2 December 2020.
- g) **“Financial institution”** shall have the same meaning assigned to it in Article 2 of the Financial Institutions Act (*Cap. 376 of the Laws of Malta*);
- h) **“MFSA”** means the Malta Financial Services Authority as established by Article 3 of Malta Financial Services Authority Act (*Cap. 330 of the Laws of Malta*);
- i) **“Minister”** means the Minister responsible for public health;
- j) **“Moratorium”** means deferral of payments of capital and interest from credit facilities granted by credit and financial institutions.
- k) **“New moratorium”** means a moratorium on a credit facility granted before the publication date of the Regulations and which has not been previously subject to a moratorium.

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

#### **ELIGIBLE APPLICANTS**

- 5. Eligible applicants are all retail and non-retail clients including non-financial corporates, micro, small and medium sized enterprises, self-employed, persons in employment and households, with a credit facility who were not in arrears and were meeting fully their commitments prior to 1 March 2020.

#### **ELIGIBILITY CRITERIA**

- 6. In order to be eligible for the moratorium, persons listed under paragraph 5 of this Directive must meet the following criteria:
  - a. not be in a forbearance arrangement or, if it is the case, have met all terms and conditions agreed upon with their credit or financial institution;
  - b. not be in arrears with the repayment of credit facility;
- 7. Applicants shall be eligible for the moratorium if, based on sufficient evidence, acceptable to their respective credit or financial institution, they can prove that their income has been or will be materially affected by the COVID-19 outbreak in such a way that adhering to the credit facility repayment commitment of both capital and/or interest in part or in full is temporarily materially impaired.

8. Credit and financial institutions shall treat applications on a case-by-case basis subject to paragraphs 5, 6 and 7 of this Directive.

## **EXCLUSIONS**

9. Notwithstanding the provisions of the preceding paragraphs, credit facilities classified as non-performing in line with Article 47a (3) of the CRR by the granting credit or financial institution shall not be eligible for the moratorium applicable under the Regulations, including the extension pursuant to LN 15 of 2021. Credit facilities classified as forborne in line with Article 47b (2) of the CRR by the granting credit or financial institution, on or before 29 February 2020, shall likewise not be eligible.
10. Credit facilities advanced to other credit or financial institutions shall not be eligible for the moratorium regulated by this Directive.
11. Moratoria granted prior to 30 September 2020 which already exceed a total of nine (9) months are excluded from the extension pursuant to LN 15 of 2021.

## **CLASSIFICATION UNDER THE DEFINITION OF FORBEARANCE**

12. In line with the EBA Guidelines, credit and financial institutions should not automatically classify exposures of successful applicants for moratoria under this Directive under the definition of forbearance in accordance with Article 47b of the CRR or treat a moratorium under this Directive as distressed restructuring in accordance with Article 178(3)(d) of the CRR. Consequently, the application of this moratorium in itself should not lead to reclassification of the exposure as forborne unless an exposure has already been classified as forborne as at 29 February 2020.
13. Moratoria granted due to the effects of COVID-19 prior to the issuance of the Regulations, shall be treated in the same way as per paragraph 12 of this Directive for the purpose of classification under the definition of forbearance.
14. Notwithstanding the provisions laid down in paragraph 6, credit facilities which are eligible for moratoria pursuant to LN 15 of 2021, but have been classified as defaulted due to distressed restructuring and/or forborne between 1 October 2020 and 14 January 2021 as a result of the expiration of the moratorium and/or the expiration of the application period on 30 September 2020, shall be treated retrospectively in the same manner as per paragraph 12. In such cases, the extension granted by credit and financial institutions becomes effective from the date of expiration of the original moratorium. The total moratorium granted, inclusive of this extension, shall not exceed nine (9) months.

## **DOCUMENTATION AND NOTIFICATIONS**

15. Credit and financial institutions should collect and have readily available, as a minimum, all of the following information:
  - a. clear identification of the exposures or borrowers for which the moratorium was offered;
  - b. clear identification of the exposures or borrowers to which the moratorium was applied;
  - c. the date on which the moratorium was applied to each borrower;
  - d. the amounts which were suspended or postponed because of the application of the moratorium;

- e. any economic loss resulting from the application of the moratorium on individual exposures and the potential impact on financial statements of credit and financial institutions.
16. Credit and financial institutions shall notify to their relevant competent authority their plans outlining the process for the assessment of the potential unlikeliness to pay of obligors subject to moratorium, including sources of information and responsibilities in the context of this assessment.

## **OTHER CONDITIONS**

17. The utilisation of the moratorium is not obligatory for borrowers. Applications are to be submitted on a voluntary basis and forwarded to the respective credit or financial institutions, at any time until 31 March 2021, unless the Minister for public health, in consultation with the Minister for Finance and Employment, decides to extend further the duration of the application period.
18. Borrowers granted a moratorium before 30 September 2020, pursuant to the Regulations as extended by LN 278 of 2020, may apply for an extension by 31 March 2021, provided that the eligibility criteria as laid down in this Directive are met. Borrowers who have resumed their repayments schedule are also eligible for an extension. The total length of the moratorium granted, inclusive of this extension, shall not exceed nine (9) months. This extension becomes effective from the next repayment date.
19. Borrowers who satisfy the eligibility criteria as laid down in this Directive and who apply for a new moratorium between 14 January 2021 and 31 March 2021, will be eligible for a moratorium period of nine (9) months, effective from the date of approval of the new application.
20. Credit and financial institutions shall take all necessary measures to inform applicants over the decision on the application for the moratorium within 10 working days from submission of the application.
21. The moratorium changes only the schedule of payments, whereby the duration of the credit facility shall be extended according to the length of the moratorium period.
22. No capitalisation (compounding) of deferred interest shall occur throughout the period of the moratorium. The accrued interest shall be spread evenly over the remaining duration of the modified term of the loan after the end of the moratorium period.
23. The credit or financial institution and the borrower may agree to spread the accrued interest referred to in the preceding paragraph on a straight-line basis (i.e. divided equally) over the remaining duration of the modified term of the loan after the end of the moratorium period, unless the arrangements for the repayment of the deferred interest due are agreed upon between them, as long as no compounding on the deferred interest is applied.
24. The suspended capital and/or interest payments during the period of the moratorium on a credit facility to natural persons for the purchase of real estate, consumer and other personal credit, shall be spread evenly throughout the remaining term of such credit facility after the end of the moratorium period in cases where the existing duration of the credit facility coincides with the retirement age of the applicant.
25. The moratorium shall not affect other conditions of the credit facility, in particular the interest rate.

26. Credit and financial institutions shall not levy any fees or charges on applicants for the moratorium.
27. Credit and financial institutions shall ensure that applicants are aware of the conditions of the moratorium.
28. The moratorium does not apply to new credit facilities sanctioned after the publication date of L.N. 142 of 2020 and any new credit facility shall follow the practices of the credit or financial institutions based on the assessment of the creditworthiness of the borrowers.

#### **FINAL PROVISIONS**

29. This Directive shall enter into force on 14 January 2021.