



# BANK ĊENTRALI TA' MALTA

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# CENTRAL BANK OF MALTA

## **Guide on the amendments to Central Bank of Malta Directive 18: “On Moratoria on Credit Facilities in Exceptional Circumstances”**

In the following guide, readers will find additional information and guidance on the Legal Notice 142 of 2020 (L.N. 142 of 2020) as amended by Legal Notice 15 of 2021 (L.N. 15 of 2021) and Central Bank of Malta ('CBM') Directive no 18 ('the Directive') published on 13 April 2020, amended on 23 April, 30 June 2020, and on 14 January 2021 respectively, which regulate the temporary suspension of debt repayments on credit facilities advanced by credit and financial institutions to borrowers prior to 14 April 2020.

As a consequence of the recent developments on the protracted impact of the COVID-19 pandemic, and the recent EBA guidance on the matter, the Central Bank of Malta deems it appropriate to reactivate Directive 18 by reopening the application period for moratoria until 31<sup>st</sup> March 2021. Nonetheless, in light of the different circumstances to those prevailing at the beginning of the pandemic in March-April 2020, Directive 18 has now been reactivated with targeted conditions according to which an applicant can benefit either from (i) an extension to an existing moratorium, or else (ii) a completely new moratorium. The Q&As below cover the different possible cases of borrowers seeking a moratorium to help them understand the options available in their current circumstances.

#### Case 1 – First time applications:

**Question:** I will be applying for the first time to benefit from a moratorium. How long can my moratorium be? From when would this moratorium apply?

**Answer:** The maximum duration of the moratorium can be up to nine months and becomes effective from the date of approval of the application.

**Example:** The new application is approved on 1 February 2021. The moratorium will expire nine months later i.e. on 31 October 2021.

#### Case 2 – Extension of an existing moratorium:

**Question:** Prior to 30 September 2020, I was granted a six-month moratorium. For how long can I extend this moratorium?

**Answer:** You can apply for a further extension to the original moratorium, as long as this extension does not lead to a total moratorium period in excess of nine months. Therefore, if you have already been granted a six-month moratorium, you can only be granted an additional three-month extension.

**Example:** A borrower who was granted a moratorium for the first time on 30 September 2020. This moratorium will expire six months later i.e. on 31 March 2021. The same borrower wishes to extend further this moratorium. His/her application for extension is approved by the bank on February 1. The extension would comprise of an additional three months, given that in total the moratorium for this borrower cannot exceed nine months. This extension will therefore become effective on 1 April, leading the moratorium to expire three months later i.e. until 30 June 2021.

#### Case 3 – Borrower with a moratorium already exceeding nine months:

**Question:** Prior to 30 September 2020, I had already been granted a six-month extension to my original six-month moratorium. Can I reapply for a further extension?

**Answer:** In this case, the total moratorium granted amounts to twelve months and as a result, already exceeds the nine-month cap. Therefore, you **cannot reapply** for a further extension in this re-opened application period. The already agreed twelve-month moratorium remains effective and unchanged.

**Example:** Consider a borrower who applied for a six-month moratorium on 30 June 2020, and prior to 30 September 2020 extended the same moratorium for an *additional* six months. Therefore, this borrower already has a total of twelve-months moratorium, which will expire on 30 June 2021. This moratorium already exceeds the nine-month cap and therefore, this borrower is not eligible for an extension. Nevertheless, the moratorium retains the currently applicable expiration date, which in this case is 30 June 2021.

#### Case 4 – Borrower benefitting from a moratorium not exceeding nine months, he/she resumed loan repayments on the same loan, but he/she is still in distress and needs an extension

**Question:** I was granted a six-month moratorium and have not applied for an extension before 30 September 2020, thinking that my finances will get better by the expiration of the moratorium. I already resumed my loan repayments, however I am once again struggling to keep up as my financial situation did not improve due to the protracted impact of the COVID-19 pandemic. Can I re-apply for an extension?

**Answer:** Yes, you can re-apply, since the number of months of your moratorium does not exceed nine months. Your three-month moratorium period will resume from the next repayment date.

**Example:** A borrower applied for a six-month moratorium on 1 April 2020 but did not extend it by a further six months. Therefore, this borrower currently has a total of six-months moratorium, which expired on 30 September 2020. Following the expiration of the moratorium, this borrower resumed loan repayments for the months of October and November, but as a result of the protracted impact of the COVID-19 pandemic, is once again in need of extending the moratorium. This borrower can now apply for an extension of three months, leading to a total of nine-months moratorium. The extension becomes effective from the next loan repayment date, which in this case is 1 December 2020, and the three-month extension will expire on 28 February 2021.

Case 5 - Borrowers benefiting from a moratorium not exceeding nine months, did not apply for an extension and could not resume loan repayments on the same loan but now would like to apply for an extension.

**Question:** I was granted a moratorium before June 2020 and I have not applied for an extension. However, my financial situation did not improve as expected due to the protracted impact of the pandemic. I also did not resume my loan repayments. Can I re-apply for an extension?

**Answer:** Yes, you can re-apply. However, your bank will be looking at the merits of your case individually and if it determines that your distressed situation is temporary it may grant the extension. The Bank would however start counting the 3-months extension from the first month that you missed payments after your moratorium expiration date.

**Example:** Consider a borrower who applied for a six-month moratorium on 31 May 2020 but did not extend it by a further six months. Therefore, this borrower currently has a total of six-months moratorium, which expired on 30 November 2020. Following the expiration of the moratorium, this borrower *missed* the loan repayments for the month of December. This borrower is also once again in need of moratorium. If this borrower:

- (i) can show that the need for a further moratorium is a result of the protracted impact of the COVID-19 pandemic;
- (ii) the bank deems his/her distress situation as temporary and therefore his loan is classified as still performing,

This borrower can also apply for an extension of three months, leading to a total of nine-months moratorium. The extension however becomes effective from the date of the expiration of the expired moratorium, which in this case is 30 November 2020, and the three-month extension will expire on 28 February 2020.

Case 6 - First time applications, but subject to relief measures offered by the bank due to the closed application period (after September 2020):

**Question:** I was in need of a moratorium on my loan repayments for the first time after September 2020. Since the application period had been closed, I was unable to benefit from a moratorium. The bank has however granted me a relief from my payment obligations. Am I eligible for a moratorium under the reactivated Directive? How long can my moratorium be? From when would this moratorium apply?

**Answer:** Since the relief measure was applied purely as a result of the closed application period, you can now apply for a moratorium. The maximum duration of the moratorium, taking into account the period in which you were offered relief, can be up to nine months. The bank would start counting the moratorium period from the date that the forbearance measure was applied.

**Example:** The relief measure was applied on 1 October 2020. The application for moratorium is approved on 15 January 2021. The moratorium will apply as from 1 October 2020, therefore replacing the relief measure, and will expire nine months later i.e. on 30 June 2021.