



9. INTERNATIONAL RELATIONS

During 2022, the Central Bank of Malta maintained active relations with European institutions and international financial institutions to which it is affiliated.

Eurosystem and European System of Central Banks

The Governor is a member of the Governing Council of the ECB, which is the highest decision-making body of the ECB. The Governing Council consists of the members of the ECB's Executive Board and the national central bank (NCB) governors of the euro area Member States. The Governing Council is responsible for monetary policy in the euro area and decides on the implementation of tasks entrusted to the Eurosystem, which comprises the ECB and the euro area NCBs.

During 2022, the Governing Council held 22 meetings, with eight being focused on monetary policy. As restrictions related to the COVID-19 pandemic were eased, physical monetary policy meetings resumed in March. The non-monetary policy meetings were conducted by videoconference. Furthermore, the Governing Council took a significant number of decisions through written procedures. In addition, in connection with the ECB's responsibilities in bank supervision, the Governing Council approved numerous draft supervisory decisions prepared by the ECB's Supervisory Board. Two retreats for the Governing Council also took place in February and October, allowing the members to discuss policy issues in an informal setting.

Following decisions taken by the Governing Council during 2022, the Governor signed several agreements on behalf of the Bank. More specifically, these agreements covered the participation and obligations in TARGET, the ECMS, Net Financial Assets, a multilateral agreement between the ECB and NCBs on the correspondent central banking model and euro banknotes production. In some cases, these were directly related to Croatia's accession to the euro area.

The Governor is also a member of the General Council of the ECB. The General Council, which is composed of the President and Vice-President of the ECB, and the NCB governors of all Member States of the European Union, mainly performs an advisory role. There were four General Council meetings in 2022.

The Governor or, in his absence, the Deputy Governor for Financial Stability, also participated in the two sessions dedicated to the Macroeprudential Forum held jointly by the Governing Council and the ECB's Supervisory Board during 2022.

Furthermore, the Deputy Governor for Financial Stability sits on the ECB's Supervisory Board, together with a senior official of the MFSA.

The Governing Council and the General Council are supported by several committees, working groups and other structures, in which various Bank officials participated actively throughout the year. These officials play a key role in briefing the Governor on issues to be discussed ahead of meetings of both the Governing and the General Council. They also give feedback on written procedures addressed to the Governing Council and the General Council.



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Group photo of the Governing Council of the ECB, Frankfurt, 1 February 2023.

(f.l.t.r.) Gediminas Šimkus, Frank Elderson, Madis Müller, Boštjan Vasle, Peter Kažimír, Robert Holzmann, Klaas Knot, Joachim Nagel, Mário Centeno, Pierre Wunsch, Gaston Reinesch, Constantinos Herodotou, Olli Rehn, Boris Vujčić, Edward Scicluna, Isabel Schnabel, François Villeroy de Galhau, Pablo Hernández de Cos, Philip R. Lane, Gabriel Makhoul, Luis de Guindos, Christine Lagarde, Fabio Panetta, Mārtiņš Kazāks, Ignazio Visco, Yannis Stourmaras.

European Systemic Risk Board

The Bank is also a participant in the ESRB where the Governor is a voting member of the General Board. In 2022, the Governor and the Deputy Governor for Financial Stability took part in the meetings of the ESRB's General Board where various issues on potential vulnerabilities and risks within the EU financial system and potential policy measures were discussed. Senior officials of the Bank also participated in the meetings of the ESRB's Advisory Technical Committee and its substructures.

Other EU institutions

During 2022, the Deputy Governor for Monetary Policy regularly participated in meetings of the Economic and Financial Committee (EFC) when issues relevant to central banks were discussed. The Deputy Governor for Financial Stability also participated in the EFC-Alternates meetings.

Throughout the year, the Bank engaged in EFC discussions on various matters related to the developments in financial markets and the regular monitoring of risks to financial stability in the EU prior to the formulation of appropriate policy responses. The most prominent topic concerned measures designed to mitigate the financial impact of Russia's war in Ukraine. Additional items of interest focused on the strengthening of the banking union, discussions pertaining to the capital markets union, the assessment of the EU's Recovery and Resilience Facility and measures concerning AML and countering the financing of terrorism.

The EFC continued to play a crucial role in the preparation of common European positions at the G20 meetings and other international fora, such as the IMF and the Financial Stability Board.

Other Bank officials also participated in meetings of several EFC sub-committees, where matters of relevance to central banks, such as the economic and financial impacts of the war in Ukraine, sovereign debt and the recovery from the COVID-19 pandemic, were discussed.

Apart from participating in the EFC and its sub-structures, Bank staff took part in several other EU committee structures related to central banking functions. The Deputy Governor for Financial Stability also participated as a representative member of the Bank together with Officials of the MFSA at meetings of the EBA and the ECB Supervisory Board of the SSM. The Bank also continued to contribute extensively, through consultations on matters of an economic and financial nature, to the participation of Malta's representatives within various European Union decision making bodies.

International Monetary Fund

In the IMF, Malta forms part of a constituency headed by Italy and which also includes Albania, Greece, Portugal and San Marino. With the Governor of the Central Bank of Malta occupying the position of Malta's Governor on the Board of Governors of the Fund, the Bank upheld its leading role in maintaining Malta's relationship with the Fund. The Governor, accompanied by the Deputy Governor for Monetary Policy, participated in the Spring IMF and World Bank Group (WBG) Meetings in April and the Annual Meetings in October. During the year, the Governor voted on several resolutions proposed by the Fund's Executive Board.

In October, the Central Bank of Malta pledged a contribution to the Fund's new Resilience and Sustainability Trust (RST) via the channelling of Special Drawing Rights. The trust, which was officially established in May 2022, is designed to complement the IMF's existing lending toolkit by focusing on urgent longer-term structural challenges that are not covered by the Poverty Reduction and Growth Trust. For the moment, the Fund has identified pandemic- and climate-related challenges as the RST's main intended areas of operation.

Following an Article IV mission earlier in the year, including a visit by Fund staff, in December, the IMF published the main results of the consultation. The Fund's mission held meetings with senior officials of the Central Bank of Malta, the Government and the MFSA, among other authorities and stakeholders.

World Bank Group

Although Malta is represented in the WBG by the Minister for Finance and Employment, throughout the year, the Bank continued to assist the Ministry in monitoring developments and providing advice on initiatives from the Group. During 2022, the Bank provided the Ministry with background documentation and recommendations on resolutions that had to be voted upon.

European Bank for Reconstruction and Development

In view that the Governor of the Central Bank of Malta was Governor for Malta on the Board of Governors of the European Bank for Reconstruction and Development (EBRD) in 2022, the Bank continued to take the lead on issues related to Malta's membership in this institution. In particular, the Governor voted on several EBRD resolutions. During the year, the EBRD offered unwavering support for Ukraine to help it overcome the financial challenges created by the war. Moreover, the EBRD has also managed to pass a green milestone by fully aligning its activities with the mitigation and adaptation goals of the Paris Agreement.

Asian Infrastructure Investment Bank

During 2022, Malta was represented on the Asian Infrastructure Investment Bank's (AIIB) Board of Governors by the Governor of the Central Bank of Malta, with the Minister for Finance and Employment as the Alternate Governor. Malta forms part of the euro area constituency which also includes Austria, Belgium, Croatia, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. During the year, the Governor also voted on several AIIB resolutions.

The Bank, together with the Ministry for Finance and Employment, continued monitoring developments in the AIIB. In 2022, officials from the Ministry for Finance and Employment represented Malta during several constituency meetings with the support of the Bank. At the seventh Annual Meeting of the AIIB – hosted virtually between 26 and 27 October 2022 – Malta was represented by the Deputy Governor for Financial Stability.

Commonwealth

The Commonwealth is a voluntary association of 54 independent countries, including Malta. The Commonwealth Secretariat organises the Commonwealth Central Bank Governors and Ministers of Finance meetings alongside the IMF/World Bank Annual Meetings. The 2022 Commonwealth Finance Ministers Meeting and the Commonwealth Central Bank Governors Meeting both focused on the recovery trajectory for Commonwealth member states, particularly pertaining to challenges with debt and rising inflation.

The Bank continued to support efforts to establish a trade finance facility for the small states of the Commonwealth, by providing banking services. The Commonwealth Small States Trade Finance Facility was set up to enhance trade and investment finance particularly for small and vulnerable Commonwealth States with limited access to international trade finance. No transactions involving the Bank took place during 2022.

Other international relations developments

Following Russia's invasion of Ukraine, international financial institutions were quick to react and condemn the actions taken by Russia and Belarus. These institutions took measures to halt all activities within those countries and to approve financial packages aimed at providing aid to Ukraine. Officials from the Central Bank of Malta have closely monitored the economic impact of the war and its ripple effect on the global economy. The Bank has continuously supported the common EU position in this respect. Following an agreement with the Central Bank of Ukraine, in 2022, the Central Bank of Malta started providing exchange facilities of Hryvnia banknotes for Ukrainians benefitting from protection in Malta.

In addition, the Bank prepared presentations regarding trade in goods and services between Malta and the United Kingdom. These presentations focused on the quarterly and annual trade flows between these two countries in 2022. This included a box on merchandise trade flows between selected Middle Eastern and North African countries and Malta.¹

¹ Article published in the *Quarterly Review* 2022:3, pp. 42-47.