



9. INTERNATIONAL RELATIONS

Eurosystem and European System of Central Banks

The Governor of the Central Bank of Malta 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 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 the year, the Governing Council held 17 meetings, with eight being focused on monetary policy. Furthermore, the Governing Council took several decisions through written procedures. In addition, in connection with the ECB's responsibilities in banking supervision, the Governing Council approved numerous draft supervisory decisions prepared by the ECB's Supervisory Board. A retreat for the Governing Council also took place in February, allowing the members to discuss policy issues in an informal setting. The 25th anniversary of the ECB was celebrated in May 2023.

Following decisions taken by the Governing Council during 2023, the Governor signed several agreements on behalf of the Bank. More specifically, these agreements covered aspects related to TARGET, the TARGET Analytical Environment, the update of the T2S contractual framework, and the ECMS.



Group photo of the Governing Council in Athens, Greece – October 2023.



Start of the Governing Council Meeting in Athens, Greece – October 2023.

The Governor is also a member of the General Council of the ECB, which meets on a quarterly basis. 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 (EU), mainly performs an advisory role.

The Governor or, in his absence, a Deputy Governor, also participated in the two sessions dedicated to the Macroprudential Forum held jointly by the Governing Council and the ECB's Supervisory Board during 2023.

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 Council and the General Council. They also give feedback on written procedures addressed to the Governing Council and the General Council.

House of the Euro

In November 2023, the Governor, together with the President of the ECB and the Governors of another six euro area NCBs, inaugurated the House of the Euro in Brussels. The House of the Euro brings representatives of the ECB and euro area central banks together under one roof. The purpose behind the new office is to foster greater collaboration with counterparts in the central banking community, to gather intelligence and reach out to EU institutions and bring visibility to the Eurosystem in Brussels. This is the Bank's first manned office overseas.

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 2023, 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 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 2023, the Deputy Governor for Monetary Policy regularly participated in meetings of the 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 topics discussed included the ongoing conflict in Ukraine – both in terms of its continued impact on the European economy along with stocktaking of the impact of sanctions on Russia and Belarus – as well as the implementation of the RRF. Other items of interest included assessments of the latest economic and financial stability developments within the EU, climate and green financing and the preparation of common European positions at the G20 meetings and other international fora, such as the IMF and the FSB. 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 and the IMF's 16th General Review of Quotas (GRQ) were discussed.

International Monetary Fund

In the IMF, Malta forms part of a constituency headed by Italy, together with 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 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, including that pertaining to the 16th GRQ. The 16th GRQ approved by the IMF's Board of Governors will bring in 2024 a 50% equiproportional increase in quotas while rolling back the membership's current commitments to the Fund under the New Arrangements to Borrow (NAB) and the Bilateral Borrowing Agreements (BBAs).

Having previously pledged a contribution to the Fund's Resilience and Sustainability Trust (RST), in 2023, the Central Bank of Malta – in conjunction with the Ministry for Finance and Employment – finalised a contribution agreement with the Fund. Following the signing of the agreement, the Central Bank of Malta contributed an SDR-denominated amount equivalent to €5 million to the Deposit Account while the Ministry for Finance and Employment contributed €0.5 million to the trust's Reserve Account.

During the year, the Central Bank of Malta provided advice and guidance to the Ministry for Finance and Employment when the latter was approached by the Fund with a request for a subsidy contribution of SDR1 million to the Poverty Reduction and Growth Trust (PRGT). The contribution was successfully carried out.

Following an Article IV mission earlier in the year, including a visit by Fund staff, the IMF published the main results of the consultation. The Fund's mission held meetings with senior officials of the Bank, 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 2023, 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 EBRD in 2023, 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 and Bank officials attended the 2023 EBRD Annual Meeting.

Due to its steadfast support for Ukraine since the commencement of the war, as well as the increased general demand for multilateral development banks' finances, in 2023 the EBRD pursued additional measures to maximise the efficient use of its resources. To this end, in December, the EBRD's Board of Governors sanctioned a capital increase of €4 billion, the third one in the EBRD's history, thereby increasing the EBRD's capital base to €34 billion. An amendment to the EBRD's Articles of Agreement to allow for more efficient use of its financial resources was also approved.

In keeping with Malta's commitments as a member of the EBRD, the Bank contributed to the preparation of a legal notice reflecting the amendments to the EBRD's Articles of Agreement and Malta's membership.

Asian Infrastructure Investment Bank

Throughout 2023, Malta was represented on the AIIB's 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 2023, Bank and Ministry officials represented Malta during several constituency meetings. At the eighth Annual Meeting of the AIIB, Malta was represented by the Governor.

Commonwealth

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 Commonwealth States with limited access to international trade finance. No transactions involving the Bank took place during 2023.

Other international relations developments

Given the ongoing war in Ukraine, triggered by the Russian invasion in 2022, international financial institutions maintained sanctions against Russia and Belarus and to approve financial packages aimed at providing aid to Ukraine. Officials from the Central Bank of Malta closely monitored the economic impact of the war and its effects on the global economy. The Bank has continuously supported the common EU position in this respect.

In addition, Bank staff regularly briefed the Governor and senior management regarding trade in goods and services between Malta and the United Kingdom. A box on merchandise trade flows between Malta, the EU and the UK was published in the Bank's *Quarterly Review*.