

ADDITIONAL DISCLOSURE REQUIREMENTS ON ENCUMBERED AND UNENCUMBERED ASSETS

GENERAL PRINCIPLES

1. In terms of paragraph 23A of this Rule, credit institutions shall ensure compliance with the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets [EBA/GL/2014/03], as amended from time to time (hereinafter referred to for the purposes of this Appendix as the 'EBA Guidelines'].
2. In terms of Article 443 of the CRR and the EBA Guidelines, credit institutions are required to disclose encumbered and unencumbered assets.
3. For the purposes of application of the EBA Guidelines on a consolidated basis, credit institutions shall apply the methods of consolidation prescribed in Title II, Chapter 2 of the CRR.

For the avoidance of doubt, insurance subsidiaries are excluded from the scope of this consolidation.

4. For the purposes of the EBA Guidelines as well as for the purposes of this Appendix and Appendix 3, an asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes). Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, shall be considered as encumbered. Assets placed at facilities that are not used and can be freely withdrawn shall not be considered encumbered.
5. For the purposes of this Appendix, the following types of contracts shall be considered encumbered:
 - (a) Secured financing transactions, including repurchase contracts and agreements, securities lending and other forms of secured lending;
 - (b) Collateral agreements, for instance, collateral placed for the market value of derivatives transactions;
 - (c) Financial guarantees that are collateralised;
 - (d) Collateral placed in clearing systems, with central counterparties (CCPs) and with other infrastructure institutions as a condition for access to service; this includes default funds and initial margins;
 - (e) Central bank facilities:

Provided that pre-positioned assets shall be considered unencumbered only if the Central Bank of Malta allows withdrawal of assets placed without prior approval;

- (f) Underlying assets from securitisation structures, where the financial assets have not been derecognised from the credit institution's financial assets:

Provided that assets that are underlying fully retained securities do not count as encumbered, unless these securities are pledged or collateralised in any way to secure a transaction;

- (g) Assets in cover pools used for covered bond issuance:

Provided that assets that are underlying covered bonds count as encumbered, except in certain situations where the credit institution holds the corresponding covered bonds as referred to in Article 33 of the CRR.

6. In complying with the obligations of disclosure, credit institutions shall capture encumbrance arising from all transactions including all operations with the Central Bank of Malta.

DISCLOSURE REQUIREMENTS

7. Credit institutions shall disclose information on encumbered and unencumbered assets by products on a consolidated basis in accordance with the Templates prescribed in Appendix 3 as indicated hereunder:

- Template A: Assets
- Template B: Collateral Received
- Template C: Encumbered assets/collateral received and associated liabilities
- Template D: Information on importance of encumbrance

Provided that in complying with the disclosure requirements specified in this paragraph, credit institutions shall refer to the instructions provided in Annex XVII of the EBA Final draft Implementing Technical Standards (ITS) on Supervisory Reporting under Regulation (EU) No 575/2013. These ITSs will enter into force once they are published on the Official Journal of the European Union.

Template A

8. Credit institutions shall disclose in Template A the amount of encumbered and unencumbered assets under IFRS by asset type.
9. The encumbered assets to be reported in Template A are:
- (a) on-balance-sheet assets that have been either pledged or transferred without derecognition or are otherwise encumbered; and

- (b) collateral received that meets the conditions for recognition on the balance sheet of the credit institutions in accordance with IFRS.

Template B

- 10. Credit institutions shall disclose in Template B information on collateral received by asset type.
- 11. The encumbered and unencumbered collateral which is to be disclosed in Template B is the collateral received that does not meet the conditions to be recognised on the balance sheet of the credit institution in accordance with IFRS. It is therefore collateral received that is kept off the balance sheet. Collateral received that is recognised on the balance sheet shall be disclosed in Template A.
- 12. Credit institutions shall not disclose the information prescribed in Template B, upon fulfilment of one of the following conditions:
 - (a) the credit institution has total assets of less than EUR 30 billion; or
 - (b) the asset encumbrance level of the credit institution is below 15%.

Template C

- 13. Credit institutions shall disclose in Template C the liabilities associated with encumbered assets and collateral received. Liabilities without any associated funding, such as derivatives, shall be included.

Template D

- 14. Credit institutions shall disclose in Template D narrative information relating to the impact of their business model on their level of encumbrance and the importance of encumbrance in their funding model.
- 15. The information referred to in paragraph 14 shall include at least the following aspects:
 - (a) Main sources and types of encumbrance, detailing, if applicable, encumbrance due to significant activities with derivatives, securities lending, repos, covered bonds issuance and securitisation;
 - (b) Evolution of encumbrance over time and in particular after the last disclosure period;
 - (c) Structure of encumbrance between entities within a group;
 - (d) Information on over-collateralisation;
 - (e) General description of terms and conditions of the collateralisation agreements entered into for securing liabilities;
 - (f) General description of the proportion of items included in column 060 'Carrying amount of unencumbered assets' in row 120 'other assets' in Template A which the credit institution would not deem available for encumbrance in the normal course of its business (e.g. intangible assets, including goodwill, deferred tax assets, property, plant and other fixed assets, derivative assets, reverse repo and stock borrowing receivables);

- (g) Other information that the institution considers relevant for the assessment of its asset encumbrance.

Provided that credit institutions shall not include in Template D statements relating to the utilisation, or absence thereof, of liquidity assistance from the Central Bank of Malta in their narrative information.