

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

BANKING RULES

*FUNDING PLANS FOR CREDIT INSTITUTIONS AUTHORISED
UNDER THE BANKING ACT (CAP. 371)*

Ref: BR/16/2018

THE FUNDING PLANS OF CREDIT INSTITUTIONS AUTHORISED UNDER THE BANKING ACT 1994

INTRODUCTION

1. In terms of Article 4 of the Banking Act 1994 (the Act) the competent authority, as defined in Article 2(1) of the Act, is empowered to make, amend or revoke Banking Rules as may be required for carrying into effect any of the provisions of the Act. The Banking Rules and any amendment or revocation thereof shall be officially communicated to credit institutions and the competent authority shall make copies thereof available to the public.
2. In accordance with Article 4(7) of the Act, the competent authority may make, amend or revoke Banking Rules as may be required for the purpose of implementing any guidelines, recommendations and individual decisions issued by the EBA, as defined in Article 2(1) of the Act, under Articles 16, 17(3) and 18(3) of Regulation (EU) No. 1093/2010.

SCOPE

3. The scope of this Rule is: (i) to adopt the requirements prescribed in the [Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2](#) (EBA/GL/2014/04)¹ issued by the EBA on 19 June 2014 (hereinafter referred to for the purposes of this Rule as ‘the EBA Guidelines’) in terms of the [Recommendation of the European Systemic Risk Board of 20 December 2012 on funding of credit institutions \(ESRB/2012/2\)](#); and (ii) to implement the [Decision of the European Banking Authority on reporting by competent authorities to the EBA](#) (EBA/DC/2015/130) which entered into force on 23 September 2015 (‘the EBA Decision’).

In accordance with Article 7 of the EBA Decision, compliance with the requirements prescribed in paragraphs 5, 6 and 8 of the EBA Guidelines shall be without prejudice to the EBA Decision, in particular to Articles 1(2) and 2 thereof, on the level of consolidation and the scope of institutions covered.

4. This Rule is applicable to credit institutions which represent a material share of the total banking assets in Malta. For the purposes of this Rule, a credit institution will be deemed to be in scope where at least one of the following criteria is met:
 - (a) the credit institution is one of the three largest institutions measured by total banking assets in Malta, including banking groups on the highest level of consolidation and subsidiaries of foreign banking groups;

¹ Credit institutions shall read this Rule in conjunction with the EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2 (EBA/GL/2014/04).

- (b) the total asset value of the credit institution exceeds EUR 30 billion both for credit institutions that represent the highest consolidation level of any given banking group and for non-EEA banking group subsidiaries;
- (c) the ratio of the four-year average total assets of the credit institution over the four-year average GDP of Malta exceeds 20% both for credit institutions that represent the highest consolidation level of any given banking group and for non-EEA banking group subsidiaries
- (d) the credit institution is deemed to be a significant credit institution in accordance with Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions:

Provided that in the event that the total consolidated assets of the credit institutions which are deemed to be in scope in accordance with the criteria established in points (a) to (d), do not represent 75% of the total consolidated assets of the Maltese banking system² (hereinafter referred to for the purposes of this Rule as ‘the 75% threshold criterion’) in any given year of review, the credit institutions having the next highest four-year average asset-to-GDP ratio, shall also be in scope in descending order until the 75% threshold criterion has been satisfied:

Provided further that in accordance with Article 2(5) of the EBA Decision, where a credit institution does not satisfy any of the criteria established in points (a) to (d) and where applicable, the 75% threshold criterion, such a credit institution shall still be deemed to be in scope if it satisfied any of these criteria during the previous three consecutive years.

- 5. The competent authority shall, for the purpose of ensuring compliance with this Rule, communicate directly with the credit institutions which fall within the scope of this Rule.

Branches of EU/EEA credit institutions established locally under the freedom of establishment and non-EU credit institutions licensed to establish such branches in Malta, do not fall within the scope of this Rule.

- 6. Credit institutions which fall within the scope of this Rule shall report their funding plans in accordance with paragraphs 8 to 20.

DEFINITIONS

² [Recommendation of the European Systemic Risk Board of 20 December 2012 on funding of credit institutions \(ESRB/2012/2\)](#), V.1.3.2 Compliance criteria (g), p. 46 of the ESRB Recommendations on funding of credit institutions (ESRB 2012/2).

7. For the purpose of this Rule, the term “credit institutions” shall be understood as referring to the credit institutions falling within the scope of this Rule in terms of paragraph 4.

ASSESSMENT OF FUNDING RISKS

8. Data on funding plans shall be reported at the highest level of consolidation in Malta, where applicable.
9. Credit institutions shall report their funding plans using the reporting templates prescribed in Annex 3, in accordance with the harmonised definitions prescribed in Annex 1. Guidance templates are provided in Annex 2.
10. Credit institutions shall submit the templates prescribed in Annex 3 on an annual basis, or as may be otherwise determined by the competent authority, reflecting relevant figures as at reference dates and by the reporting dates described in paragraph 15 of this Rule.

11. The data shall be reported in millions of euros:

Provided that in the case of credit institutions whose primary currency is not the euro, the reporting currency shall be converted to euros as of the starting date of the projection which is the date when the current balance sheet was drawn up.

12. Credit institutions shall submit the data in an appropriate format that facilitates the transfer and aggregation of such data at national and European Union levels. Furthermore, credit institutions shall employ practices that safeguard the confidentiality of the said information.
13. Data points shall be projected for 3 years: on a six-monthly frequency in year 1 and annually thereafter:

Provided that, the following data points in Annex 3 only require a 1-year projection:

- (a) Rows 030 [*Liquidity Coverage Ratio (percent)*] and 040 [*LCR Surplus/(Deficit)*] in template ‘P 01.03 – Forecast of Liquidity Ratios’;
- (b) Template ‘P 02.04 – Pricing: Loan Assets’; and
- (c) Template ‘P 02.05 – Pricing: Deposit Liabilities’.

14. Where required, credit institutions shall also provide the competent authority with the corresponding actual figures of projections disclosed in the template for the competent authority to assess the progress of credit institutions against targets set in funding plans and to assess the credit institutions’ funding strategy against any emerging risks which affect the original plans.
15. Credit institutions shall, by 31 March, report their funding plans in accordance with this Rule and the EBA Guidelines, with a reference date of 31 December of the previous year.

16. Credit institutions shall also report their funding plans in the ICAAPs as outlined in Banking Rule BR/12.
17. Credit institutions shall explain to the competent authority the way they expect to match liabilities and assets at the time of submission of the funding plans and in the foreseeable future, as well as the different corporate plans to which the credit institutions are subject.
18. Credit institutions shall, upon the request of the competent authority, submit any additional data, other than that prescribed in Annex 3, as may be requested.