

## LIQUIDITY RATIO - DEPOSIT LIABILITIES

In terms of Article 18 of the Act the authority establishes the following to constitute the deposit liabilities of a credit institution for the purpose of paragraph 15 of the Rule.

### (i) Amounts owed to Banks and to Customers

- ◆ deposits repayable on demand and at short notice (current and savings balances);
- ◆ matured term deposits which at time of reporting will be in the period within which such deposits could be withdrawn by customers;
- ◆ other types of deposits with a remaining maturity period of three months or less;
- ◆ term deposits taken under a condition which enables customers to withdraw funds at any time against a penalty, irrespective whether the penalty is on interest or on the sum deposited. If such a condition applies to a portion of a deposit only that amount bound by the condition is to be included.
- ◆ any other borrowing under whatever nature which is repayable either on demand or with a remaining term to maturity of seven days or less but excluding **intra-group** borrowings<sup>1</sup>.

### (ii) Deductions:

- ◆ Loans received under repurchase agreements against liquid assets.
- ◆ Currency swaps.
- ◆ Deposits pledged as security treated as in paragraph 12 (b) (i) of the Rule and which are included under (i) above.
- ◆ 50% of items in course of collection.

The total of the above mentioned liabilities less the total of the under-mentioned deductions gives the total specified liabilities.

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<sup>1</sup> For the purposes of this Rule, intra-group borrowings shall be construed to mean, borrowings between entities which are subject to supervision on a consolidated basis to which the credit institution itself is subject in terms of the Banking Rule on Supervision on a Consolidated Basis (BR/10) or the *EU Capital Requirements Directive 2006/48/EC* or with equivalent standards in force in a third country.

## LIQUIDITY RATIO - SPECIFIED ASSETS

1. The specified liquid assets for the purpose of paragraph 15 of the Rule shall be the total of the following:

**(i) Cash and balances held with Central Bank of Malta:**

- ◆ Cash shall comprise notes and coins which are legal tender in Malta and any foreign currency which is freely convertible in Malta;
- ◆ Balances with the Central Bank of Malta other than reserve deposits provided for under article 37 of the Central Bank of Malta Act.

Provided that:-

- (i) in the event of an *excess* on the reserve deposit requirement as at the reporting date (end-month) an amount equivalent to the sum that the reporting bank can withdraw from its reserve deposits as at reporting date and still be able to end the maintenance period (mid-month) in balance is to be *added* to the Specified Liquid Assets.
- (ii) in the event of a *shortfall* on the reserve deposit requirement as at the reporting date (end-month) an amount equivalent to the sum by which the reporting bank will need to replenish its reserve deposits as at the reporting date in order to terminate the maintenance period (mid-month) in balance is to be *deducted* from the Specified Liquid Assets;

**(ii) Treasury bills and similar securities:**

- ◆ Treasury bills issued or guaranteed by the Government of Malta;
- ◆ Treasury bills issued or guaranteed by Governments of Zone A countries (other than Malta) and with twelve months or less remaining term to maturity;
- ◆ Financial instruments issued by the Central Bank of Malta bearing its name;
- ◆ Other commercial paper issued or guaranteed by the Central Bank of Zone A Countries (other than Malta) and with twelve months or less remaining term to maturity.

*Note that the definition of 'Zone A countries' is provided under Banking Directive BD/04 Appendix I, Article 1.1.0*

**(iii) Other eligible bills:**

Bills of exchange and promissory notes eligible for refinancing at the Central Bank of Malta.

**(iv) Deposits held with other institutions:**

Net balance held in Malta or in any other Zone A country repayable or withdrawable on demand, overnight or within seven days .

**(v) Debt Securities<sup>1</sup>:**

- ◆ Marketable securities issued or guaranteed by the Government of Zone A countries:
  - with five years or less remaining term to maturity and discounted at 10% on the market value;
  - with over five years remaining term to maturity and discounted at 15% on the market value;
- ◆ Marketable securities issued or guaranteed by supranational institutions or by official institutions of Zone A countries with five years or less remaining term to maturity. Such securities are to be discounted at 15% on the market value;
- ◆ Marketable securities issued or guaranteed by other first class institutions (with at least an AA+ Credit Rating) of Zone A countries with five years or less remaining term to maturity. Such securities are to be discounted at 25% on the market value;
- ◆ All other marketable securities (discount to be determined upon application to the authority)

**(vi) Gold and other Bullion**

Gold and other bullion (excluding amounts held on custody) is to be discounted at 20% on the official market value;

**(vii) Investments in Collective Investment Schemes**

Investments in collective investment schemes as long as the prospectus allows the Fund Manager to invest in specified liquid assets included in items (i) to (vi) above. A discount rate of 25% is to be applied overall.

*Note that the definition of 'Zone A countries' is provided under Banking Directive BD/04 Appendix I, Article 1.1.0*

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<sup>1</sup> Excludes assets in the form of equity holdings.

2. Specified assets as defined in paragraph 1 above which are denominated in a currency other than the accounting currency of the reporting institution are to be further discounted by 5% on the pre-discounted market value for exchange risk purposes.
3. Subject to paragraph 4 below, the specified assets mentioned in paragraph 1 above are to be considered eligible for the purposes of the Rule subject that they are free from any lien or charge of any kind.
4. Specified assets mentioned in paragraph 1 above which are provided as collateral to the Central Bank of Malta in terms of article 15(1)(e) of the Central Bank of Malta Act, *Cap 204*, are only to be considered as eligible assets for the purpose of the Rule, to the extent of the unutilised portion of such facilities.