

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

BANKING RULES

*BANKING RULE ON 'MANAGEMENT EXPENSES CONTRIBUTION'
UNDER THE DEPOSITOR COMPENSATION SCHEME REGULATIONS
(S.L. 371.09)*

INTRODUCTION

1. In terms of regulation 42 (1) and (2) of the Depositor Compensation Scheme Regulations, Subsidiary Legislation 371.09 ('the Regulations') under the Banking Act, the competent authority ('the authority'), as defined in regulation 2 of the Regulations, is empowered to issue Banking Rules to credit institutions. In compliance with Article 4 (10) of the Banking Act, Banking Rules and any amendment or revocation thereof, shall be officially communicated to credit institutions and the authority shall make copies thereof available to the public.
2. This Rule on Management Expenses Contribution under the Depositor Compensation Scheme Regulations is being made pursuant to regulation 26 (3) of the Regulations.

DEFINITIONS

3. For the purpose of this Rule, the definitions contained in regulation 2 of the Regulations shall apply; and:

 "Management Expenses Contribution Fund" shall mean the fund established by the Depositor Compensation Scheme ('the Scheme');

 "Year of Assessment" shall mean the financial year for which the Management Expenses Contribution is due.

ESTIMATION OF MANAGEMENT EXPENSES

4. Prior to the expiry of each financial year, the Scheme shall prepare a statement with estimates of receipts and payments relating to its management expenses for the forthcoming financial year. Such estimates shall be approved by the Management Committee.

The statement shall specify:

- (i) The amount, if any, held by the Scheme in the Management Expenses Contribution Fund;
- (ii) The amounts expected to be disbursed as management expenses during the forthcoming financial year;
- (iii) The amount, if any, which the Management Committee, at its sole discretion, allocates from the Scheme's reserves to the Management Expenses Contribution Fund, pursuant to regulation 32 (4) of the Regulations; and
- (iv) The Management Expenses Contribution, if any, to be levied on members during the forthcoming financial year, pursuant to regulation 26 (1) of the Regulations, in order to cover any shortfall arising from an excess of (ii) over (i) + (iii) above.

Provided that the Scheme may revise its above-mentioned statement for a given financial year and prepare a revised statement for the approval of the Management Committee.

5. Upon giving notice of the amount of the Management Expenses Contribution due by each member in respect of any relevant financial year in terms of the provisions of regulation 27 (2), the Scheme shall also provide each member with a copy of the statement that is prepared in pursuance to paragraph 4 of this Rule: Provided that no such statement shall be provided to a member in respect of any financial year for which no Management Expenses Contribution is due by such member.

METHOD AND APPLICATION OF MANAGEMENT EXPENSES CONTRIBUTION

6. The method for determining the amount of Management Expenses Contribution which may be due by each member in any financial year shall be the following:

$$M_i = ME \times (CD_i \div CD)$$

‘ M_i ’ is the Management Expenses Contribution due by member i in the year of assessment

‘ME’ is the total Management Expenses Contribution to be imposed on all members in the year of assessment

‘ CD_i ’ is the total covered deposits (excluding temporary high balances) for member i as at 31st December of the year immediately preceding the year of assessment

‘CD’ is the total covered deposits (excluding temporary high balances) of all members as at 31st December of the year immediately preceding the year of assessment

Provided that:

- (a) Pursuant to regulation 26 (4) of the Regulations, a member which becomes a member of the Scheme part way through the financial year, shall for the financial year in which it has become a member, pay an Initial Management Expenses Contribution amounting to thirty-five thousand euro (€35,000);
- (b) Where covered deposits are held in a currency other than Euro (€), the amount of covered deposits shall be calculated on the Euro (€) equivalent of such covered deposits;
- (c) The amount of covered deposits shall be based on information that a member would have to include in its single customer view (SCV) file and deferred file. The information shall be of the extent and standard required if the member was preparing these files in accordance with the SCV requirements.

EXCESS OF MANAGEMENT EXPENSES CONTRIBUTION

7. Where, at the end of a financial year, the total amount levied as Management Expenses Contribution is in excess of the management expenses incurred during that

year, the remaining balance shall be retained in the Management Expenses Contribution Fund.

SUPPLEMENTARY MANAGEMENT EXPENSES CONTRIBUTION

8. Where the Scheme revises its preliminary estimates of income and expenditure for a given financial year, pursuant to paragraph 3 of this Rule, it may impose a supplementary Management Expenses Contribution, applying the same method referred to in paragraph 5 of this Rule.

ENTRY INTO FORCE

9. This Rule shall be deemed to have entered into force on 1 January 2016.