

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Circular to Credit Institutions on Banking Rule BR/11

The Authority is hereby issuing a revised version of Banking Rule BR/11 on the “Extension of the applicability of the ‘Arm’s Length’ principle by Credit Institutions authorised under the Banking Act (hereinafter the “Rule”).

The revised Rule, modelled on the applicable Basel Core Principles for Effective Banking Supervision (September 2012), emphasises on the adoption of adequate procedures to enter into and monitor transactions with related parties. Such procedures aim at preventing abuse which may arise in transactions with related parties and to control or, where appropriate mitigate, possible inherent conflicts of interest.

The revised Rule further specifies additional related parties over and above those included in paragraph (b) of article 15(1) of the Banking Act.

The revised Rule sets a limit on the aggregate exposures to related parties in line with the provisions of article 395 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (‘the CRR’).

The revised Banking Rule BR/11 will come into force with immediate effect.

Any queries in relation to the above should be directed to the Banking Supervision Unit (Policy Section) on bsupolicy@mfsa.com.mt.

Communications Unit
Malta Financial Services Authority
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