

13 March 2020

Circular to Credit Institutions on Temporary Capital and Operational Relief in Reaction to Coronavirus (COVID-19)

Further to the [MFSA Circular on Interim Supervisory Measures](#) issued on 12 March 2020, addressed to all authorised entities and licensed persons, and the [EBA statement](#) dated 12 March 2020 on actions to mitigate the impact of COVID-19 on the EU banking sector, the MFSA has taken into consideration the [ECB Banking Supervision Press Release](#) published on 12 March 2020. The latter relates to temporary capital and operational relief provided as a reaction to COVID-19, and introduces measures to ensure that the banks directly supervised by the ECB can continue to fulfil their role in funding the real economy as the economic effects of the COVID-19 become apparent. Such measures include, amongst others, the following:

- Banks can fully use capital and liquidity buffers, including Pillar 2 Guidance;
- Banks will benefit from relief in the composition of capital for Pillar 2 Requirements; and
- ECB to consider operational flexibility in the implementation of bank-specific supervisory measures.

The MFSA is hereby announcing that the measures taken by the ECB in accordance with the Press Release shall apply in their entirety to all credit institutions licensed in terms of the Banking Act (Chapter 371 of the Laws of Malta), from today and until further notice.

The MFSA will establish a regular review of the impact of the immediate challenges posed by COVID-19 on individual licensed credit institutions. Credit institutions are expected to ensure that they are capable of co-operating with the MFSA in discharging its regulatory duties with regard to its monitoring and response framework.

The MFSA is constantly monitoring developments through its monitoring framework, in relation to the spread of COVID-19 and is in close cooperation with the Central Bank of Malta, the European Supervisory Authorities and the European Central Bank. The MFSA will revise the implementation of these measures as necessary.