

15 January 2021

Circular to Credit Institutions on the treatment and reporting of moratoria on loan repayments applied in the light of the COVID-19 crisis

The Malta Financial Services Authority (the 'Authority') is issuing this Circular to provide a number of clarifications to credit institutions licensed in terms of the Banking Act (Cap. 371 of the Laws of Malta) with regard to the application of the [European Banking Authority \(EBA\) Guidelines \(EBA/GL/2020/02\) on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis](#) and as further amended by [EBA/GL/2020/08](#) and by [EBA/GL/2020/15](#) (the 'EBA Guidelines').

The EBA Guidelines lay down the conditions that shall be met by legislative and non-legislative moratoria granted in the wake of the COVID-19 crisis, in order to be able to benefit from the preferential treatment outlined in the said Guidelines, that is, the forbearance classification will not be triggered. In this respect the Authority would like to clarify that:

1. Any legislative moratoria that have been granted and which conditions are in line with the provisions of [Central Bank of Malta Directive No. 18: On Moratoria on Credit Facilities in Exceptional Circumstances](#) (the 'Central Bank of Malta Directive No. 18') and the EBA Guidelines shall benefit from the preferential treatment provided for in the EBA Guidelines;
2. Any non-legislative moratoria that have been granted and which conditions are in line with the EBA Guidelines shall benefit from the preferential treatment provided for in the EBA Guidelines;
3. Any legislative and non-legislative moratoria that have been granted in other jurisdictions, including non-EU countries, and which conditions are in line with the EBA Guidelines shall benefit from the preferential treatment provided for in the EBA Guidelines;
4. Any moratoria arising from the effects of the COVID-19 crisis which have been granted prior to publication of the Central Bank of Malta Directive No. 18 (i.e. before 13 April 2020) shall be treated as legislative moratoria thus benefitting from the preferential treatment provided for in the EBA Guidelines; and
5. Any other moratoria arising from the effects of the COVID-19 crisis which have been granted on a voluntary basis and individually by a credit institution after the publication of the Central Bank of Malta Directive No. 18 (i.e. after 13 April 2020) and which conditions are neither fully in line with the Central Bank of Malta Directive No. 18 nor with the EBA Guidelines, shall not be eligible for preferential treatment in accordance with the EBA Guidelines.

Supervisory Reporting

Reference is being made to the COVID-19 related reporting requirements arising from [Banking Rule 23 on Reporting and Disclosure of Exposures subject to Measures applied in Response to the COVID-19 Crisis](#) ('BR/23') and the [EBA Guidelines \(EBA/GL/2020/07\) on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis](#) (the 'EBA Guidelines on reporting').

Further to the above clarifications, the Authority would like to add that in terms of reporting requirements pursuant to BR/23 and the EBA Guidelines on reporting:

- a. Moratoria granted in line with points 1, 2, 3 and 4 above, which are eligible for preferential treatment, shall be considered as 'EBA-compliant moratoria'; and
- b. Other moratoria granted which fall under point 5 above, and thus not eligible for preferential treatment, shall be considered as 'Other COVID-19-related forbearance measures'.

Credit institutions are also being reminded to follow the reporting instructions as laid out in [Annex 2 to the EBA Guidelines on reporting](#).

In addition, the Authority is hereby drawing the attention of credit institutions to the [EBA Report on the implementation of selected COVID-19 policies](#) as amended and published on 21 December 2020. Specifically, attention is being drawn to section 4 of such report which presents Frequently Asked Questions (FAQs) on the EBA Guidelines on reporting.

Any queries in relation to this Circular should be directed to Bankingdata@mfsa.mt.