

11 July 2022

Update: Imposition of Negative Interest Rates on Euro Denominated Deposits

This circular is addressed to Credit Institutions authorised in terms of the Banking Act, 1994

The purpose of this circular is to bring to the attention of Credit Institutions authorised in terms of the Banking Act, 1994 (**'credit institutions'**) the update of the Circulars on the Imposition of Negative Interest Rates on Euro denominated Deposits issued on 18 September 2018 and 03 January 2019.

The Authority reiterates that Credit institutions are not to impose negative interest rates as per above Circulars, however, are not precluded from charging clients a maintenance fee. In this regard, following feedback received from the Industry, the Malta Financial Services Authority, in consultation with the Central Bank of Malta, reconsidered the criteria established on the charge of maintenance fees on 'excessively high liquid balances' held by Credit Institutions. It has been decided that if any maintenance fee is to be charged, the following thresholds apply:

Thresholds	Maintenance Fee
Over Euro 0.5 million to Euro 1 million	0 % up to a maximum of 0.25%
Over Euro 1 million	0 % up to a maximum of 0.5%

Any other criteria established in the previous Circulars still apply, meaning that such a fee only be charged:

- a) To non-personal customers;
- b) Subject to other possible terms and conditions to be decided by the credit institution and which would be clearly disclosed to the client in good time prior to the commencement of the depositary services being provided by the credit institution to the client in question;
- c) If it corresponds to a service being provided by the credit institution and may therefore cover any ancillary operational costs which may be incurred in the course of providing such a service, is proportional thereto and is of a reasonable amount.

Credit Institutions must inform, in writing, all clients who may be affected by the Credit Institution's decisions to impose a maintenance fee as described above, no later than 2 months before the proposed date of the imposition of such fees, as required by Article 54(1) of Directive (EU) 2015/2366 on Payment Services in the internal market. In addition, such a

maintenance fee must be included in the Credit Institution's Tariff of Charges so that all clients would have access to information relating to such fees, at any moment in time.

Contacts

Any queries regarding the subject matter of this circular are to be sent to the Banking Supervision Function on BankingOffsite@mfsa.mt or Conduct Supervision Function on conductbanking@mfsa.mt.