

23 April 2024

Circular on the Publication of Final Guidelines on the Group Capital Test by the European Banking Authority (“EBA”)

The Malta Financial Services Authority (“MFSA”) would like to notify all investment firms of the newly published Guidelines on the application of the group capital test, (hereinafter referred to as “[the Guidelines](#)”) by the EBA. Such Guidelines will start to apply as of 1 January 2025.

By way of derogation from Article 7 of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 (“IFR”) in relation to Prudential Consolidation, and as set out in Article 8 of the same Regulation, the group capital test may be opted for by:

“...group structures which are deemed to be sufficiently simple, provided that there are no significant risks to clients or to market stemming from the investment firm group as a whole that would otherwise require supervision on a consolidated basis.”

In this regard, and by means of the Guidelines, the EBA has identified criteria that are both qualitative and quantitative in nature, by which investment firms may be assessed upon when requesting such derogation. Against this backdrop, the MFSA strongly advises the industry to assess the contents of the Guidelines and their possible impact on their operations.

The MFSA shall be issuing further communication on the applicability and implementation of the Guidelines in due course.

In the interim, should there be any queries in relation to the contents of this Circular and the Guidelines, please do not hesitate to contact the Investment Services Supervision Function on investmentfirms@mfsa.mt.