

07 July 2025

## **Banking Supervision**

Email: [authorisationsbanking@mfsa.mt](mailto:authorisationsbanking@mfsa.mt)

### **MFSA Banking Supervision – Authorisation Process** ***Letter to Advisors and Representatives of Banking Sector Applicants***

#### **1.0 Foreword**

This letter is addressed to entities and individuals that advise and/or represent (hereafter referred to as 'Advisors') natural or legal persons ( hereafter referred to as 'Applicants') on authorisation requests for new licences, licence extensions and change in qualifying holdings of credit institutions, credit intermediaries, or credit servicers as well as other authorisations required under the applicable regulatory framework within the banking sector such as material changes to the business model or governance structure. The primary objective is to raise awareness and enhance transparency of the MFSA authorisation processes, while clearly outlining the Authority's expectations. Drawing from past experiences, this letter highlights gaps and deficiencies that may have resulted in suboptimal application outcomes, such as refusals, withdrawals, or delays. This communication does not substitute or supersede any sectoral regulatory requirement or guidance established under local and EU regulations or directives. It should, therefore, be read in conjunction with the relevant sectoral laws and regulations. The said regulations and any future amendments therein should always prevail.

The European Central Bank (ECB) and the Malta Financial Services Authority (MFSA) work closely to ensure the effective supervision and regulation of the banking sector. More specifically both Authorities collaborate closely in the different authorisation processes to

ensure that credit institutions are fit to operate in Malta and across Europe, thereby fostering confidence in the financial system. The MFSA, in its sole capacity, is also responsible for authorisation of other licensed financial services providers such as credit servicers and credit intermediaries.

Banks remain fundamental pillars of both local and global economies, providing essential services such as capital allocation, liquidity management, and payment processing. Their key function provides for economic growth and financial stability while enabling the development of businesses and households. Regardless of their business model being traditional or technologically innovative only Applicants that demonstrate robust compliance with all legal and regulatory requirements are granted authorisation.

The authorisation process is often a complex and technical process that Applicants must undergo to be licensed by the MFSA. It requires competence, specialised knowledge and practical experience with respect to the relevant regulatory obligations set out in the applicable regulatory framework. To streamline the process, the Applicants are encouraged to appoint qualified Advisors with relevant expertise, who will guide and support the Applicant through the authorisation journey. Advisors shall also support the MFSA in its role of a 'gatekeeper' of financial services in Malta by ensuring that Applicants seeking authorisation in the banking sector are of the necessary caliber to meet the highest standards of compliance with applicable regulatory framework.

In this document, the terms "licence" and "authorisation", and the terms "bank" and "credit institution" are used interchangeably.

## 2.0 Background

In terms of Single Supervisory Mechanism ('SSM') Regulation<sup>1</sup> the ECB is the competent authority for granting new or extended authorisation to credit institutions in the Eurozone as well as reaching determinations regarding change in control notifications. In line with ('SSM') Framework Regulation<sup>2</sup> the MFSA is responsible for assessing applications and issuing authorisations or approvals, as the case may be, to credit institutions under the Banking Act. In the case of new licence applications, as well as applications for changes in qualifying shareholding of credit institutions, both the ECB and MFSA conduct an independent and parallel assessment of the preliminary application, verifying the completeness and accuracy of the provided information. The review consists mainly of assessment of the business plan, reputation and financial soundness of the proposed qualifying shareholders; reputation, knowledge, skills and experience of the management body; governance arrangements, whether the Applicant will be able to comply and continue to comply with the prudential requirements; financial projections; risk management policies; investment policies; financial crime compliance; and outsourcing arrangements, as applicable. The objective is to ensure that the Applicant is able to satisfy regulatory requirements on an ongoing basis in relation to its proposed business model. In case of a satisfactory conclusion of completeness assessment by both Authorities an acknowledgement of receipt ('AOR') letter is issued by the MFSA to the Applicant. The letter signifies the start of the official legal deadline of six (6) months<sup>3</sup> in case of a licensing procedure and sixty (60) working days<sup>4</sup> in case of acquisitions, during which additional information and/or clarifications may be sought by the Authorities. Upon completion of the process, the MFSA will propose a decision to the ECB, which will

<sup>1</sup> Single Supervisory Mechanism Regulation - [Regulation - 1024/2013 - EN - ssm regulation - EUR-Lex](#)

<sup>2</sup> Single Supervisory Mechanism Framework Regulation - [Regulation - 468/2014 - EN - EUR-Lex](#)

<sup>3</sup> If the application does not comply with article 6(2) of the Banking Act or additional information is required, within six (6) months of compliance with the said sub-article or the furnishing of the information as the case maybe, whichever be the later. In any event an application shall be determined within twelve (12) months of its receipt.

<sup>4</sup> The assessment period is suspended from the date of the MFSA's request for additional information until the proposed acquirer's response, not exceeding twenty (20) working days. Additionally, the MFSA may extend the suspension period to thirty (30) working days if the acquirer is situated or regulated in a third country or is not subject to supervision under the CRD; Directive 2009/65/EC; Directive 2009/138/EC; MiFID or MiFIR.

determine whether to grant authorisation to the Applicant within the applicable legal timeframe.

Outlined below is an indicative, non-exhaustive list of instances where authorisation is required from the MFSA.

- Initial authorisation – Required for Applicants desirous to commence the business of banking, credit intermediaries, or credit servicers in or from Malta.
- Extension of licence – Required for local Banks seeking to expand the scope of their activities or make material changes to an existing license under the the First Schedule to the Banking Act.
- Acquisitions - Required for any change in a qualifying holding of an authorised entity as outlined in Article 13 of the banking Act.
- Financial Holding Companies (FHC) - approvals required for a Bank's FHCs in accordance with Article 11B of the Banking Act as further detailed under Paragraph 5 of Banking Rule BR/25.

Additionally, authorised entities are required to inform the ongoing supervisor within the MFSA of any notifications required under sectoral law, including but not limited to:

- The intention to exercise the European passport right; or
- The intention to undertake any material changes to the business model, management body or strategy.

### 3.0 Best Practices for Streamlining Authorisation Process

At the intention stage, applicants seeking authorisation must submit a Statement of Intent to the Authority via [authorisationsbanking@mfsa.mt](mailto:authorisationsbanking@mfsa.mt) e-mail, as outlined in the Authorisation Process Service Charter. For all other instances where authorisation or a notification may be required by authorised entities, they must inform the ongoing supervisor within the MFSA accordingly. If, upon notification, the ongoing supervisor determines that authorisation is required, the Applicant will be directed to submit an application via the designated email address.

For initial authorisations, the MFSA's licensing process is typically initiated through a draft letter of intent outlining rational and the authorisation sought under the applicable legal framework. At the Authority's discretion an introductory meeting may be scheduled to gain deeper understanding of the rational, strategy or business model behind the proposed transaction, as well as to explain the relevant processes and requirements. This stage marks the commencement of an interactive approach, involving ongoing engagement with the Applicant should the application materialise.

Prior to submitting a request for authorisation, it is the Applicant's responsibility, with the assistance of any appointed Advisors, to identify the type of authorisation required and evaluate whether it falls within the scope of authorisation under the applicable regulatory frameworks in the banking sector.

The Authority expects the Applicants and their Advisors, if any, to consult the applicable information available on the MFSA's website and be knowledgeable of the relevant regulatory obligations set out in the applicable regulatory framework<sup>5</sup>. Additionally, Applicants should reference any pertinent EU Regulations and Directives, Commission Delegated Regulations, Regulatory Technical Standards and Implementing Technical Standards, as well as any Guidance Notes which may be issued by the ECB, European Banking Authority ('EBA'), European Securities and Markets Authority ('ESMA'), European Insurance and Occupational

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<sup>5</sup> Annex I provides a non-exhaustive list of links to relevant regulatory frameworks

Pensions Authority (EIOPA) and any other competent authority or international standard setting body.

Whilst the Authority strives to provide guidance and feedback, where applicable, on the regulatory framework, its approach, and processes, it is important to note that offering consultancy services or advising on how proposals should be modified to meet regulatory requirements is beyond its remit. The onus shall always remain on the Applicant to decide and implement solutions which adhere to the applicable legal requirements.

While the ownership of the request for authorisation ultimately lies with the Applicant, it is strongly encouraged to appoint a competent Advisor with relevant experience in the banking sector. Although not mandatory, such appointments have proven valuable in streamlining the authorisation process and ensuring timely and efficient handling of applications. Where applicable, and prior to engaging with the Authority, Advisors should assist Applicants in understanding the expectations and obligations set out in the applicable local and international regulatory frameworks, including the MFSA's Risk Appetite Statement<sup>6</sup> and Shareholding Policy<sup>7</sup>. To enhance and expedite the process, the Advisor's role, if appointed to support an Applicant with their applications to the MFSA, includes the following responsibilities:

**i. Conducting Due Diligence:**

Performing their own due diligence on the Applicant prior to onboarding, and filtering in line with legal requirements and any internal risk appetite frameworks.

**ii. Preparation of Comprehensive Documentation:**

Ensuring that all required forms, supporting documents, and information are complete, accurate, and compliant with the applicable regulations and guidelines.

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<sup>6</sup> MFSA Risk Appetite Statement - [https://www.mfsa.mt/wp-content/uploads/2020/01/20200106\\_MFSAs-Risk-Appetite-Statement.pdf](https://www.mfsa.mt/wp-content/uploads/2020/01/20200106_MFSAs-Risk-Appetite-Statement.pdf)

<sup>7</sup> MFSA Shareholding Policy Paper - [Shareholding Policy for Credit Institutions and Insurance Companies](#)

**iii. Regulatory Compliance:**

Confirming that the application aligns with EU and national regulatory frameworks, including adherence to directives and regulations e.g., Directive 2013/36/EU (CRD); Regulation (EU) No 575/2013 (CRR); Directive 2014/65/EU (MiFID) and relevant technical standards.

**iv. Transparency and Disclosure:**

Ensuring full transparency, openness, and honesty in providing the MFSA with all the required and key information and documentation including disclosure of all material facts about the Applicant, such as the shareholding and group structure, governance arrangements, business model, Three Lines of Defence, internal controls, financial position, risk management, amongst other.

**v. Facilitation of Communication:**

Acting as the primary point of contact between the Applicant and the MFSA, ensuring that all queries and/or requests for additional information are sufficiently addressed. Advisors must also ensure that the Applicant's feedback is presented in a complete, clear and consistent manner, avoiding piecemeal submissions, while providing additional explanations and supporting evidence as necessary.

**vi. Demonstration of Suitability:**

Assisting the Applicant in demonstrating suitability, including fitness and properness of shareholders and members of the management body, the adequacy of risk management systems, policies, as well as the availability of sufficient financial resources.

**vii. Timely Submission:**

Ensuring that the application and all required documentation are submitted within the prescribed timelines, including any additional information and/or documentation requested by the Authority, without any delays.

#### **viii. Professional and Ethical Conduct:**

The Authority expects all stakeholders to uphold the highest standards of professionalism, ensuring that the application process is conducted ethically and transparently. By fulfilling these expectations, the Applicants, and their Advisors shall facilitate and streamline the application process with timely turn arounds in communication with the Authority while fostering confidence in the Applicant's readiness to meet regulatory standards.

### **4.0 Concluding Remarks**

The authorisation process within the banking sector is a rigorous and collaborative undertaking that ensures Applicants meet the highest regulatory standards. It is the Applicant's responsibility, with the assistance of competent and experienced Advisors, to address the complexities of the regulatory framework, demonstrating suitability, compliance, and readiness to operate within the sector.

The MFSA, in collaboration with the ECB and other supervisory authorities, is committed to maintaining a robust and transparent process that upholds the integrity of the financial system. While the Authority provides guidance on regulatory expectations and processes, the ultimate responsibility lies with Applicants and their Advisors to adhere to the legal and regulatory requirements and to present complete and accurate information.



Through effective communication, diligent preparation, and adherence to applicable frameworks, the authorisation process can also serve as the foundation for establishing an effective relationship with the Authority, fostering trust and collaboration.

Yours Sincerely,  
**Malta Financial Services Authority**

**Dr Christopher P. Buttigieg**  
Chief Officer Supervision

**Ms Catherine Galea**  
Head Banking Supervision

## Annex I: Relevant Links

### Directives & Regulations

- Capital Requirements Directive 2013/36/EU: [EUR-Lex - 02013L0036-20240729 - EN - EUR-Lex](#)
- Capital Requirements Regulation (EU) No 575/2013: [EUR-Lex - 02013R0575-20240709 - EN - EUR-Lex](#)
- Credit Servicers and Credit Purchasers Directive (EU) 2021/2167: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021L2167>
- Credit Agreements for Consumers Directive (EU) 2023/2225: [Directive \(EU\) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC](#)

### National Law

- Banking Act (Cap. 371): [LEĠIŻLAZZJONI MALTA](#)
- Credit Servicers and Credit Purchasers Act: [LEĠIŻLAZZJONI MALTA](#)
- Credit Agreements for Consumers Relating to Residential Immovable Property Regulations (S.L. 378.10): [LEĠIŻLAZZJONI MALTA](#)

### Rules and Guidelines

- Authorisation Process – Service Charter: [MFSA Authorisation Process Service Charter](#)
- MFSA Shareholding Policy: [Shareholding Policy for Credit Institutions and Insurance Companies](#)
- MFSA Risk Appetite Statement: [MFSA's Risk Appetite Statement](#)

- ECB Guide to assessment of licence applications: [Guide to assessments of licence applications – Licence applications in general](#)
- MFSA Banking Rule BR/13 on Prudential Assessment of Acquisitions: [20180131-BR13-1.pdf](#)
- Joint Guidelines on the prudential assessment of acquisitions: [JC GL 2016 01 Joint Guidelines on prudential assessment of acquisition and increases of qualifying holdings - Final](#)
- MFSA Banking Rule BR/25 on Financial Holding Companies: [Banking Rule BR/25 - Financial Holdings Companies and Mixed Financial Holding Companies under the Banking Act \(Chapter 371 of the Laws of Malta\)](#)