

CONDUCT OF BUSINESS RULEBOOK

Rulebook for Credit Institutions Offering Retail Products and Services

THIS VERSION OF THE RULEBOOK WILL COME INTO FORCE ON
20 NOVEMBER 2026

CONTENTS

Contents

Introduction.....	9
Glossary of Definitions.....	11
Applicability in the context of Consumer Credit Agreements	28
Chapter 1 Disclosures	30
Introduction.....	30
Section 1: General Rules	31
General Requirements	31
Information about Banking Services	33
Disclosure of Information on Regulated Persons	34
Regulated Persons carrying on a Service through Digital Communication	35
Disclosures on the Retail Products provided by the Regulated Person	38
Disclosure of Information on Tied and/or Bundled Packaged Products	44
Disclosure of Information provided at Branches upon Request	46
Disclosures of Conflicts of Interest	47
Section 2: Disclosure Requirements for Clients entering into Credit Agreements relating to Residential Immovable Property	49
Applicability	49
General Requirements	49
Pre-Contractual Information and Practices preliminary to the conclusion of the Credit Agreement relating to Residential Immovable Property	52
Content of Pre-Contractual Information	54
Disclosure requirements concerning Credit Intermediaries	55
Disclosures by Regulated Persons and Credit Intermediaries for Advisory Services	56
Disclosures relating to the Credit Agreement	58
Section 3: Disclosure Requirements for Clients entering into Consumer Credit Agreements.....	61
Applicability	61
General Requirements	61
Calculation of the Annual Percentage Rate of Charge (APRC) under the Consumer Credit Regulations	68
Pre-contractual Information relating to Consumer Credit Agreements in respect of Deferred Payments	70
Clients' Right to receiving a copy of the Consumer Credit Agreement	73
Other Disclosures relating to Overrunning	79
Advisory Services	80
Section 4: Rules applicable to Regulated Persons offering Payment Accounts.....	82
Applicability	82
General Requirements	82
Pre-Contractual Disclosures	83

Fee Information Document	83
Other Disclosures	90
Post-Contractual Disclosures	94
Statement of Fees	94
Other Disclosures	102
Other Provisions for Regulated Persons offering Payment Accounts	107
Section 5: Rules applicable to Regulated Persons offering Deposit Accounts	107
Applicability	107
General Requirements	108
Annex I – Calculation of the APRC for Credit Agreements relating to Residential Immovable Property	110
Annex II – European Standardised Information Sheet (ESIS)	114
Annex III – Calculation of the APRC for Consumer Credit Agreements	127
Annex IV – Credit Information Form (SECCI)	130
Annex V – European Consumer Credit Information Form	135
Annex VI – List of the most representative Services linked to a Payment Account	140
Annex VII – Fee Information Document	142
Annex VIII – Statement of Fees	144
Chapter 2 Marketing Rules	147
Introduction	147
Section 1: General Rules	148
General Requirements	148
Issuing and Approving Advertisements	151
Warning Statements and other information that should be included in Advertisements	154
Advertisements implying cost reduction	156
Disclosures within Advertisements relating to Taxation	156
Guidance on disclosures included within Advertisements broadcasted on Television and Radio or through Telephone	157
Guidance on Advertisements issued on Social Media	157
Section 2: Advertising and Marketing rules applicable for specific Consumer Credit Agreements	159
Applicability	159
General Requirements	159
General Information	161
Section 3: Advertising and Marketing rules applicable for Specific Credit Agreements relating to Residential Immovable Property	163
Applicability	163
General Requirements	163
Section 4: Advertising and Marketing rules applicable to Payment Accounts	166
Applicability	166
General Requirements	166

Section 5: Advertising and Marketing rules applicable to Payment Accounts and Deposit Accounts	167
Applicability	167
General Requirements	167
Chapter 3 Product Oversight Requirements.....	169
Introduction.....	169
Section 1: General Rules	170
Section 2: Manufacturer's Product Governance and Oversight Policy	171
Section 3: Documentation of Product Governance and Oversight Policy	173
Section 4: Product Testing	173
Section 5: Product Monitoring.....	176
Section 6: Remedial Action.....	177
Section 7: Target Markets.....	177
General Requirements	177
Negative Target Market	178
Section 8: Provision of Adequate Training to Relevant Staff.....	179
Section 9: Role of Senior Management and the Board of Directors	179
Section 10: Product Distribution and Distribution Channels	180
Section 11: Additional Product Oversight and Governance obligations applicable to Distributors	182
Section 12: Other Product Governance Requirements for Credit Agreements relating to Residential Immovable Property.....	183
Applicability	183
Conduct of Business Obligations when providing Credit to Clients	183
Foreign Currency Loans	184
Section 13: Other Product Governance Requirements for Consumer Credit Agreements.....	186
Applicability	186
Conduct of Business Obligations when providing Credit to Clients	186
Annex I – Good Practice Examples	188
Good Practice Examples for Manufacturers	188
Establishment, Proportionality, Review and Documentation	188
Manufacturer's Internal Control Functions.....	189
Target Market.....	189
Product Testing.....	190
Product Monitoring.....	191
Remedial Action	192
Distribution Channels	192
Good Practice Examples for Distributors	193
Chapter 4 Conflicts of Interest	194
Introduction.....	194
Section 1: General Rules	195
Section 2: Conflict of Interest Policy Rules	198
Section 3: Remuneration Policy Rules	200

General Requirements	200
Conflicts of Interest in the Remuneration Structures of Sales Staff	204
Section 4: Record Keeping Requirements	205
Section 5: Oversight	205
Annex I – Examples of Detrimental Cross-Selling Practices	206
Examples with a monetary detriment	206
Example of purchase of unwanted or unnecessary products	206
Annex II – Examples of Instances leading to Conflicts of Interest detrimental to the Client.....	207
Chapter 5 Bank-Client Relationship.....	208
Introduction.....	208
Section 1: General Rules	209
General Requirements	209
Record Keeping Requirements	214
Reporting to the MFSA	215
Section 2: Visits, Calls and Other Communications	215
General Requirements	215
General requirements relating to Debt Collection Visits and/or Communications	218
Section 3: Knowledge and Competence of Staff	219
Section 4: Creditworthiness Assessments	222
Part A: General Rules applicable to all Credit Agreements	222
Creditworthiness Provisions for lending to Clients.....	222
Credit Risk Policies and Procedures	224
General Requirements	224
Technology-enabled Innovation for Credit granting	226
Models for Creditworthiness Assessment and Credit Decision-making	226
Data Infrastructure	227
Credit Risk Management and Internal Control Frameworks	227
Information and Documentation for the purpose of the Creditworthiness Assessment	228
Additional Assessment Factors for Credit Agreements.....	231
Credit Approval	232
Part B: Credit Agreements relating to Residential Immovable Property	234
Applicability	234
General Requirements.....	234
Information and Documentation for the purpose of the Creditworthiness Assessment in terms of Credit Agreements relating to Residential Immovable Property	237
Credit Agreements secured by Immovable Property other than Residential Immovable Property	239

Part C: Creditworthiness Assessment requirements applicable to Consumer Credit Agreements	240
Obligations to assess the creditworthiness of the client	240
Databases.....	242
Section 5: Requirements on Pre-contractual Information and Obligations on Property Valuation applicable to Credit Agreements relating to Residential Immovable Property	243
Section 6: Requirements relating to Payment Accounts	243
General Requirements applicable to all types of Payment Accounts	243
Requirements on Dealing with Dormant Accounts.....	244
Access to Payment Accounts and Payment Accounts with Basic Features	246
Section 7: Variation of Terms and Conditions	250
Applicability	250
General Requirements	251
Section 8: Termination and Withdrawal	252
Part A: General Requirements	252
Part B: Requirements applicable to Consumer Credit Agreements	253
Applicability	253
Open-end Credit Agreements	253
Right to Withdraw	254
Section 9: Early Repayments, Assignment and Rights of Set-off.....	256
Part A: General Requirements applicable to all Credit Agreements.....	256
Part B: Requirements applicable to Consumer Credit Agreements	256
Applicability	256
General Requirements applicable to Consumer Credit Agreements.....	257
Part C: Credit Agreements relating to Residential Immovable Property.....	259
Applicability	259
General Requirements applicable to Credit Agreements relating to Residential Immovable Property	259
Section 10: Measures related to Arrears, Forbearance and Enforcement Proceedings pursuant to Credit Agreements	260
Requirements applicable to Consumer Credit Agreements	260
Applicability	260
Specific Requirements	260
Requirements applicable to Credit Agreements relating to Residential Immovable Property	262
Applicability	262
Specific Requirements	262
Procedures and NPE Strategy	266
Treatment of Clients with Mental Capacity Limitations	268
Sound Forbearance Processes	268

Record Keeping Requirements	269
Settlements and Disputed Debt	270
Outsourcing	271
Section 11: Tying and Bundling Practices	271
Requirements applicable to Credit Agreements relating to Residential Immovable Property	271
Requirements applicable to Payment Accounts	272
Requirements applicable to Consumer Credit Agreements	272
Section 12: Complaints Handling Mechanisms	273
Annex I – Credit-granting Criteria	278
Lending to Individual Clients	278
Annex II – Metrics for Credit Granting and Monitoring	279
Lending to Individual Clients	279
Annex III – Possible Forbearance Measures	280

REVISIONS LOG

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1.00	First Publication	Feedback Statement 28.02.2025
2.00	Second Publication	Circular dated 20 November 2025

Introduction

This Conduct of Business Rulebook is being issued in terms of Article 16 of the [MFSA Act](#) (Cap. 330) and Article 4(6) of the [Banking Act](#) (Cap. 371). This Rulebook contains the conduct of business obligations to which Regulated Persons would be required to adhere to in their day-to-day operations. Certain provisions of the Rulebook contain relevant obligations applicable to Credit Intermediaries.

The Rules in this Rulebook contain, amongst other matters, the applicable requirements emanating from the transposition of the main EU Directives which apply in the area of Conduct of Business in the context of banking, namely:

- the Mortgage Credit Directive (Directive 2014/17/EU);
- the Consumer Credit Directive II (Directive 2023/2225/EU);
- the Payment Accounts Directive (Directive 2014/92/EU),

together with any respective Implementing Measures issued thereunder.

Moreover, the Rulebook also contains relevant provisions from Opinions and Guidelines issued by the European Banking Authority (the 'EBA'), including conduct-related elements sourced from the following:

- Guidelines on product oversight and governance arrangements for retail banking products;
- Guidelines on internal governance under the Capital Requirements Directive;
- Guidelines on loan origination and monitoring;
- Guidelines on management of non-performing and forborne exposures;
- Opinion on good practices for mortgage creditworthiness assessments; and arrears and foreclosure, including expected mortgage payment difficulties; and
- Opinion on disclosure to consumers of banking services through digital means.

The contents of this Rulebook should be read in conjunction with the requirements emanating from the Banking Act, as well as regulations and Banking Rules issued thereunder which prescribe the prudential requirements for the Regulated Persons and which are also binding on Regulated Persons.

The 'Rules' in this Rulebook (indicated with the letter 'R') create binding obligations on Regulated Persons. Accordingly, failure to comply with any of the requirements of the Rules would amount to a breach of an applicable regulatory requirement.

The provisions providing 'Guidance' (indicated with the letter 'G') provide guidance with respect to the relevant Rules. Such Guidance may relate to further clarifications of a Rule or to steps which the Regulated Person may take in order to comply with a specific Rule. It is important to note that compliance with requirements indicated as Guidelines is supplementary to the relevant Rule and is not necessarily compulsory, as long as the requirements of the Rules are observed at all times.

This version of the Rulebook will come into force on 20 November 2026.

Glossary of Definitions

Account Information Service	An online service to provide consolidated Information on one or more payment accounts held by the Client with either another payment service provider or with more than one payment service provider.
Account Information Service Provider	A payment service provider pursuing business activities related to Account Information Services.
Advertised Product or Service	For the purpose of this Rulebook, Advertised Product or Service means the Retail Product or Retail Service offered by a Regulated Person that is the subject of an Advertisement.
Advertisement	Advertisement means any form of representation, including a catalogue, a circular and a price list, about a trade, business, craft or profession in order to promote the supply or transfer of goods or services, immovable property, rights or obligations. The terms "Advertising" and "Advertise" shall be construed accordingly. The form or medium of an Advertisement may include any of the following: - print (e.g. newspapers or brochures / leaflets / direct mailshots available to the public); - visual means (e.g. television); - sound (e.g. radio); and - electronic (e.g. Internet).
Advisory Services	The provision of personal recommendations to a Client in respect of one or more transactions relating to Credit Agreements and constitutes a separate activity from the granting of credit and from the credit intermediation activities in the terms of the definition Credit Intermediary.
Ancillary Service	A service offered to the Client in conjunction with the provision of a Retail Product or Service.
APRC	Annual Percentage Rate of Charge, which means the total cost of the credit to the Client, expressed as an annual percentage of the total amount of the credit, where applicable, including the costs referred to in R.1.2.77, and equates, on an annual basis, to the present value of all future or existing commitments (drawdowns, repayments and charges) agreed by the Regulated Person and the Client.

Arbiter	The Arbiter for Financial Services appointed in terms of the Arbiter for Financial Services Act .
ATM	Automated Teller Machine which functions as an electromechanical device that allows payment service users to withdraw cash from their accounts and/or access other services.
Borrowing Rate	The interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down.
Branch	A place of business which forms a legally dependent part of a Regulated Person and which carries out directly all or some of the transactions inherent in the business of the Regulated Person.
Bundling	The offering or the selling of a Retail Product in a package with other distinct financial products or services where the Retail Product can also be made available to the Client separately but not necessarily on the same terms and conditions as when offered bundled with other financial products. This would include Bundled Packages consisting of: - two different Retail Products; - a Retail Product and an insurance product; or - a Retail Product and an investment product.
Card Association	An organisation that facilitates payment card transactions, for example VISA and MasterCard.
Chinese Walls	An arrangement within the organisation of the Regulated Person (or between the Regulated Person and any associate of that Regulated Person) which requires Information held by the regulated entity (or as the case may be, any associate of that Regulated Person, or a particular operating unit within the Regulated Person or within any associate of that Regulated Person in the course of carrying on one part of its business of any kind) to be withheld in certain circumstances from other operating units or from persons with whom it deals in the course of carrying on another part of its business of any kind.
Client	For the purpose of this Rulebook, a Client refers to a natural person making use of Retail Products who is acting for purposes of his/her personal accord, including instances

whereby he/she is carrying out a business venture, trade or profession under his/her own personal name.

The term 'Client' shall also be taken to refer to 'Potential Client' unless the context in which it is used infers otherwise.

Complainant A Client, or a natural or legal person acting on behalf of the Client, who is presumed to be eligible to have a Complaint considered by a Regulated Person and who has already lodged a Complaint.

Complaint A statement of dissatisfaction addressed to a Regulated Person by a Client, or a natural or legal person acting on behalf of the Client, relating to the business of banking and/or of any additional Retail Products or Services provided by the Regulated Person.

Compliance Officer An official of a Regulated Person whose role is to ensure that the Regulated Person complies with all laws under which it operates and rules issued by the Regulator. The Compliance Officer shall bear the responsibility for the compliance function and is required to sign off all regulatory documentation.

Credit Agreement An agreement whereby a Creditor grants or promises to grant to a Client credit in the form of a deferred payment, loan or other similar financial accommodation, except for agreements for the provision on a continuing basis of services or for the supply of goods of the same kind, where the Client pays for such services or goods for the duration of their provision by means of instalments.

The term 'Credit Agreement' shall be construed to all types of agreements falling within the scope of this Rulebook, including but not limited to Consumer Credit Agreements, Credit Agreements for Residential Immovable Property and business loans granted to sole traders.

For the purposes of this Rulebook, and in the context of a Credit Agreement relating to residential immovable property, this shall be distinct from the public deed of loan.

Consumer Credit Agreement

Notwithstanding the general definition of Credit Agreements, for the purposes of this Rulebook, Consumer Credit Agreements shall exclude Credit Agreements:

- a. which are secured either by a hypothec, privilege or land registry charge, or by a right related to immovable property;
- b. the purpose of which is to acquire or retain property rights in land or in an existing or projected building, including premises used for trade, business or a profession;
- c. involving a total amount of credit of more than one hundred thousand Euro (€100,000);

Notwithstanding paragraph (c) immediately above, the definition of Consumer Credit Agreement includes credit agreements involving a total amount of credit of more than €100,000 which are not secured either by mortgage, or by another comparable security commonly used in Malta on immovable property or by a right related to immovable property, where the purpose of those credit agreements is the renovation of a residential immovable property.

- d. where the credit is granted by an employer to his employees as a secondary activity either free of interest or at annual percentage rates of charge which are lower than those prevailing on the market and which are not offered to the public;
- e. which are concluded with European Investment Firms as defined in Article 2 of the [Investment Services Act](#) or with Banks or Credit Institutions or Electronic Money Institutions as defined in Article 2 of the [Banking Act](#) for the purpose of allowing an investor to carry out a transaction relating to one or more of the financial instruments listed in the Second Schedule to the [Investment Services Act](#) where the European Investment Firm or Bank or Credit Institution or Electronic Money Institution granting the Credit is involved in such transaction;
- f. which are the outcome of a settlement reached in court or before another statutory authority;

- g. relating to hiring or leasing where an obligation or an option to purchase the object of the agreement is not laid down either in the agreement itself or in any separate agreement;
- h. which relate to the deferred payment, free of charge, of an existing debt;
- i. where the Client is requested to deposit an item as security in the Regulated Person's safe-keeping and where the liability of the Client is strictly limited to that deposited item;
- j. which relate to loans granted to a restricted public under a statutory provision with a general interest purpose and at lower interest rates than those prevailing on the market or free of interest or on other terms which are more favourable to the Client than those prevailing on the market and at interest rates not higher than those prevailing on the market.
- k. credit agreements existing on 20 November 2026; however, R.1.3.140, R.1.3.141, R.1.3.144, R.1.3.144A.1 to R.1.3.144A.3, R.1.3.148, R.1.3.147, R.5.8.185 to R.5.8.188, R.5.10.217A to R.5.10.217C shall apply to all open-end credit agreements existing on 20 November 2026.
- l. In the form of deferred debit cards:
 - (i) Which are provided by a credit or payment institution
 - (ii) Under the terms of which the credit has to be repaid within forty (40) days; and
 - (iii) Which are free of interest and with only limited charges for the provision of the payment service.

Credit Agreements relating to Residential Immovable Property

Notwithstanding the general definition of Credit Agreements, for the purposes of this Rulebook, for Credit Agreements relating to Residential Immovable Property, the respective Rules shall only apply to:

- a. Credit Agreements which are secured by a hypothec or privilege on residential immovable property or secured by a right related to residential immovable property; and

- b. Credit Agreements the purpose of which is to acquire or retain property rights in land or in an existing or projected building.

Notwithstanding these applicability criteria, those same Rules shall not apply to the following Credit Agreements:

- i. Equity release Credit Agreements where the Regulated Person:
 - aa. contributes a lump sum, periodic payments or other forms of credit disbursement in return for a sum deriving from the future sale of a residential immovable property or a right relating to residential immovable property; and
 - bb. will not seek repayment of the credit until the occurrence of one or more specified life events of the consumer as may be defined by the competent authorities, unless the consumer breaches his contractual obligations which allows the Regulated Person to terminate the Credit Agreement;
- ii. Credit Agreements where the credit is granted by an employer to his employees as a secondary activity where such a Credit Agreement is offered free of interest or at an APRC lower than those prevailing on the market and not offered to the public generally;
- iii. Credit Agreements where the credit is granted free of interest and without any other charges except those that recover costs directly related to the securing of the credit;
- iv. Credit Agreements in the form of an overdraft facility and where the credit has to be repaid within one month;
- v. Credit Agreements which are the outcome of a settlement reached in court or before another statutory authority;
Credit Agreements which relate to the deferred payment, free of charge, of an existing debt and which do not fall within the scope of Credit Agreements which are secured by a hypothec or privilege on residential immovable property or secured by a right related to residential immovable property.

Credit Intermediary

A natural or legal person who is not acting as a creditor or Notary Public and not merely introducing, either directly or indirectly, a Client to a Regulated Person or credit intermediary, and who, in the course of his trade, business or profession, for remuneration, which may take a pecuniary form or any other agreed form of financial consideration:

	a. presents or offers credit agreements to Clients; b. assists Clients by undertaking preparatory work or other pre-contractual administration in respect of credit agreements other than as referred to in paragraph (a); or c. concludes credit agreements with Clients on behalf of the Regulated Person.
Creditor	A Regulated Person who grants or promises to grant credit in the course of his trade, business or profession.
Creditworthiness Assessment	The evaluation of the prospect for the debt obligation resulting from the Credit Agreement to be met.
Cross-selling	The practice whereby Regulated Persons group, and sell at the same time, two or more separately identifiable Retail Products or Services under a Tying or Bundled Practice. This would involve products and services from the same sector (e.g. two Retail Products) and could also refer to the combination of products from different sectors (e.g. a Retail Product and an insurance or investment product).
Debt Advisory Services	Personalised assistance of a technical, legal or psychological nature provided by independent professional operators which are not, in particular, creditors or credit intermediaries as defined in this Rulebook, or credit purchasers or credit servicers as defined in the Credit Servicers and Credit Purchasers Act, in favour of clients who experience or might experience difficulties in meeting their financial commitments.
Deposit	A sum of money paid in on terms under which it will be repaid with or without interest or a premium and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it.
Deposit Account	A bank account holding a sum of money paid-in on terms under which it will be repaid, with or without interest or a premium and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it. A Deposit Account can be a Payment Account, depending on its purpose of use and terms and conditions applicable.
Distance Communication	Any means of communication which, without the simultaneous physical presence of the Regulated Person and the Client, may be used for the distance Marketing of a Retail product between the Regulated Person and the Client.

Distance Contract	Any contract concerning Retail Products or Services concluded between a Regulated Person and the Client under an organised distance sales or marketing scheme run by the Regulated Person, who, for the purpose of that contract, makes exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded.
Distance Marketing	The act of Marketing a Retail Product or Service by means of a Distance Communication.
Distributor ¹	A Regulated Person or Credit Intermediary who offers and/or sells the Retail Product to Clients; this includes business units of Regulated Persons that are not involved in the designing of the product but are responsible for bringing the product to the market.
Dormant Account	A Payment Account or Deposit Account in relation to which there has been no transaction, neither deposits nor withdrawals having been posted within the previous consecutive twenty-four (24) months. Any payments directly credited into or debited from the account arising from other sources (that is, other than from the account itself), shall not render the account dormant for the purposes of this Rulebook. For the avoidance of doubt, the term “<i>other sources</i>” refers to deposits and withdrawals not generated from the accounts itself, such as for instance, fees related to other financial products like card fees and bank guarantee fees; direct debits for subscriptions, receipt of dividends and interests from term deposits and bonds.
Durable Medium	Any instrument which enables the Client or the Regulated Person to store Information addressed personally to that Client in a way accessible for future reference, for a period of time adequate for the purposes of the Information, and which allows the unchanged reproduction of the Information stored.
Early Repayment	The full or partial discharge of the client’s obligations under a credit agreement, before the date agreed in the credit agreement;
Electronic Money	Electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on

¹ As defined in Annex I to BR24 Product Oversight and Governance Arrangements for Retail Products ([Annex I to BR24](#))

	receipt of funds for the purpose of making Payment Transactions and that is accepted by a person other than the financial institutions that issued the Electronic Money.
Electronic Money Institution	A financial institution that has been licensed in accordance with the Financial Institutions Act and authorised to issue electronic money or that holds an equivalent authorisation in another country in terms of the Electronic Money Directive to issue Electronic Money.
Electronic Money Issuer	Entities referred to in Article 1(1) of the Electronic Money Directive and institutions benefiting from the waiver under Article 1(3) of the Electronic Money Directive and legal persons benefiting from a waiver under Article 9 of the Electronic Money Directive .
ESIS	European Standardised Information Sheet, which consists of a single document whereby Regulated Persons must complete on the basis of information already provided on the current financial market conditions and which is valid for limited period of time as indicated on the document itself.
Fee Information Document	The standard document referred to in Annex VII of Chapter 1 of this Rulebook.
Fixed Borrowing Rate	The borrowing rate that the Regulated Person and the client agree on in the credit agreement for the entire duration of the credit agreement, or several borrowing rates that the Regulated Person and the client agree on in the credit agreement for partial periods for which the borrowing rates are determined exclusively by a fixed specific percentage; if not all borrowing rates are determined in the credit agreement, the borrowing rate shall be deemed to be fixed only for the partial periods for which the borrowing rates are determined exclusively by a fixed specific percentage agreed on the conclusion of the credit agreement;
Framework Contract	A payment service contract which governs the future execution of individual and successive payment transactions, and which may contain the obligation and conditions for setting up a payment account.
Forbearance Measure	A concession by a Regulated Person towards Clients that are experiencing or are likely to experience difficulties in meeting their financial commitments. A concession may entail a loss for the Regulated Person and shall refer to either of the following actions:

	a. a modification of the terms and conditions of a debt obligation, where such modification would not have been granted had the Client not experienced difficulties in meeting its financial commitments; b. a total or partial refinancing of a debt obligation, where such refinancing would not have been granted had the Client not experienced difficulties in meeting their financial commitments.
Foreign currency loan	A credit agreement where the credit is: a. denominated in a currency other than that in which the consumer receives the income or holds the assets from which the credit is to be repaid; or b. denominated in a currency other than that of the Member State in which the consumer is resident.
Information	For the purpose of this Rulebook, Information refers to any material provided to Clients or potential Clients by the Regulated Person with the purpose to inform such Clients or potential Clients of any Retail Product or Service and respective terms and conditions thereof.
Initial Service Agreement	A primary agreement from which secondary agreements may result, such as, but not limited to the opening of a bank account or the acquiring of a credit card
Internet Banking	A service provided by the Regulated Person, other than Mobile Banking, which enables a Client to use the internet to access certain features and characteristics of the Retail Product which the Client holds.
Linked Credit Agreements	A credit agreement where: a. the credit or services in question serves exclusively to finance an agreement for the supply of specific goods or the provision of a specific service, and b. those two agreements form, from an objective point of view, a commercial unit; a commercial unit shall be deemed to exist where the supplier of goods or the provider of services provider himself or herself finances the credit for the client or, if it is financed by a third party, where the Regulated Person uses the services of the

supplier of goods or the provider of services in connection with the marketing, conclusion or preparation of the credit agreement, or where the specific goods or the provision of a specific service are explicitly specified in the credit agreement.

Manufacturer ²	For the purpose of this Rulebook, a Manufacturer is a Regulated Person that designs (i.e. creates, develops, combines, or significantly changes) products to be offered to Clients.
Marketing	The establishment of unsolicited contact with the Client or a potential Client, by any means whatsoever, to promote the supply or provision of a Retail Product
MFSA	Malta Financial Services Authority. For the purposes of this Rulebook the terms "Authority" and "Regulator" shall be used interchangeably with the term "MFSA".
Minister	The Minister responsible for the regulation of Financial Services.
Mobile Banking	A software application provided by the Regulated Person which enables a Client, by use of an electronic device (including a smartphone, a tablet computer and a desktop computer) on which that application is installed, which, depending on the nature of the Retail Product to access certain features and characteristics of that Retail Product. The functionality, use and applicability of Mobile Banking varies depending on the type of Retail Product which the Client holds.
Net Disposable Income	Net Disposable Income refers to the residual income after deducting tax, National Insurance contributions, any alimony and any other financial commitments such as rent payable.
Open-end credit agreement	a credit agreement without a fixed duration and includes credits that must be repaid in full within or after a period but, once repaid, become available to be drawn down again.
Overdraft Facility	An explicit credit agreement whereby a creditor makes available to a Client funds which exceed the current balance in the Client's current account.

² As defined under the EBA Guideline on Product Oversight and Governance Arrangements for Retail Products ([EBA/GL/2015/18](#))

Overrunning	A tacitly accepted overdraft whereby a Regulated Person makes available to a Client funds which exceed the current balance in the Client's current account or the agreed overdraft facility.
Payee	A natural or legal person who is the intended recipient of funds which have been the subject of a payment transaction.
Payer	A natural or legal person who holds a payment account and allows a payment order from that payment account, or, where there is no payment account, a natural or legal person who makes a payment order to a payee's payment account.
Payment Account	An account held in the name of one or more payment service users which is used for the execution of payment transactions, and through which Clients are able, at least, to: a. place funds in a Payment Account; b. withdraw cash from a Payment Account; and c. execute and receive payment transactions, including credit transfers, to and from a third party.
Payment Account with basic features	A Payment Account through which Clients are able at least to: a. services enabling all the operations required for the opening, operating, and closing of the Payment Account; b. services enabling funds to be placed in the Payment Account; c. services enabling cash withdrawals from the Payment Account within Malta and other Member States: i. at the counter of the publicly accessible premises of the credit institution, including any branches thereof, whether located in Malta or in any other Member State; and ii. at automated teller machines; d. execution of the following payment transactions in Malta or in any other Member State: i. payment transactions through the payment card, including online payments; ii. credit transfers, including standing orders, at, where available, terminals and counters and via the online facilities of the credit institution; e. execution of direct debits within the European Union.
Payment Initiation	A service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider.

Payment Initiation Service Provider	A payment service provider pursuing business activities related to Payment Initiation.
Payment Institution	A company that has been licensed in accordance with the Financial Institutions Act or that holds an equivalent authorisation in another country in terms of the Payment Services Directive to provide and execute Payment Services throughout the European Union.
Payment Instrument	A personalised device(s) and/or set of procedures agreed between the payment service user and the Payment Service Provider and used in order to initiate a Payment Order.
Payment Order	An instruction by a Client, being the Payer or Payee, to a Regulated Person or other Payment Service Provider requesting the execution of a Payment Transaction.
Payment Service	Any business activity set out in paragraph 2 of the Second Schedule of the Financial Institutions Act .
Payment Service Provider	As per Article 2(1) of the Financial Institutions Act a Payment Service Provider means: - Credit Institutions, including branches thereof as defined in Article 2(1) of the Banking Act where such branches are located in the European Union, irrespective of whether the head offices of those branches are located within the European Union or, in accordance with Article 47 of the Capital Requirements Directive and national law, if they are located outside the European Union; - Electronic Money Institutions, being companies that have been granted authorisation under Title II of the Electronic Money Directive to issue electronic money, including branches thereof, in accordance with Article 8 of that Directive and national law, where such branches are located within the European Union and their head offices are located outside the European Union, in so far as the payment services provided by those branches are linked to the issuance of Electronic Money; - post office giro institutions that are entitled under national law of any Member State to provide Payment Services; - Payment Institutions; - account Information service providers; - the European Central Bank and national central banks when not acting in their capacity as monetary authority or other public authorities; or - Member States or their regional or local authorities when not acting in their capacity as public authorities.

Payment Service User	A person making use of a Payment Service in the capacity of payer, payee, or both.
Payment Transaction	An act initiated by the payer or on his behalf or by the payee, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee.
Pre-contractual information	The information which is provided before the client is bound by a credit agreement or, where applicable, by the submission of a binding offer and which the client needs in order to be able to compare different credit offers and take an informed decision on whether to conclude the credit agreement;
Product Governance and Oversight Policy (PGOP)	Refers to the policy outlining the responsibilities of Manufacturers to organise processes, functions and strategies aimed at designing, operating and bringing Retail Products to the market as well as offering such Retail Products to Clients, and reviewing them over the life of the Retail Product in order to minimise potential Client detriment, avoid potential conflicts of interest and ensure that the interests and objectives of Target Markets are duly protected.
Professional Diligence	Professional Diligence means the standard of skill and care which a Regulated Person may reasonably be expected to exercise towards Clients, commensurate with honest market practice and, or the general principle of good faith, in the Regulated Person's field of activity.
Profiling	Profiling as defined in Article 4, point (4), of Regulation (EU) 2016/679;
Regulated Person	For the purposes of this Rulebook, a Regulated Person means persons holding a license in relation to the business of banking under the Banking Act , including a European Credit Institution which has established a branch in Malta in terms of the European Passport Rights for Credit Institutions Regulations .
Relevant Persons	Shall mean any of the following: a. a director, partner or equivalent, or manager of the Regulated Person; b. an employee of the Regulated Person, as well as any other natural person whose services are placed at the disposal and under the control of the Regulated Person and who is involved in the provision by the Regulated Person of Products and Services;

- c. a person who is directly involved in the provision of services to the Regulated Person under an outsourcing arrangement for the purpose of the provision by the Regulated Person of Products and Services.

Remuneration All forms of fixed and variable Remuneration, including payments made or benefits, monetary or non-monetary, awarded directly by or on behalf of institutions to relevant persons. Non-monetary benefits may include, but are not limited to, career progression, health insurance, discounts or provision of car or mobile phone, generous expense accounts or seminars.

Retail Product³ For the purpose of this Rulebook, a Retail Product shall refer to any of the following:

- a. Credit Agreements relating to immovable property;
- b. Other forms of Credit Agreements for Clients in addition to that included in paragraph (a);
- c. Deposits Accounts;
- d. Payment Accounts;
- e. Payment Services;
- f. Payment Instruments;
- g. Other means of payment, as listed in point 5 of Annex I of [Directive 2013/36/EU](#) consisting of issuing and administering other means of payment (e.g. travellers' cheques and bankers' drafts) insofar as such activity is not covered by Payment Services; or
- h. Electronic Money:

Provided that, for Payment Services, Payment Instruments, other means of payment and Electronic Money referred to in paragraphs (e) to (h), respectively, the requirements of this Rulebook are considered to apply *mutatis mutandis* with respect to matters which are not covered by the provisions of the [Central Bank of Malta Directive 1](#) issued in terms of the [Central Bank of Malta Act](#).

Senior Management For the purpose of this Rulebook, Senior Management shall refer to those natural persons who exercise executive functions within a Regulated Person and who are responsible, and accountable to the Board of Directors, for the day-to-day management of the Regulated Person.

³ Aligned with definition found under the EBA Guideline on Product Oversight and Governance Arrangements for Retail Products ([EBA/GL/2015/18](#))

Service	For the purposes of this Rulebook, Service shall refer to any action performed by a Regulated Person in connection with the delivery of a Retail Product.
Social Media	Social Media share the characteristic of being digital and can be defined as websites and applications that enable users to create and share content or participate in social networking. The following is a non-exhaustive list: - Blogs; - microblogs (Twitter); - social and professional networks (Facebook, LinkedIn, Google+); - forums; - image and video-sharing platforms (YouTube, Instagram, Vine, Pinterest).
Soft Commission Agreement	Any agreement under which a Regulated Person receives goods or services, in return for which it agrees to direct business through or in the way of another natural or legal person.
Staff	All employees of a Regulated Person and its subsidiaries within its scope of consolidation, including subsidiaries not subject to the Capital Requirements Directive as transposed in the Banking Act , any regulations and Rules issued thereunder, and all directors sitting on the Board of Directors.
Switching (Switching Service)	The transferring, upon a Client's request, from one payment service provider to another either the Information about all or some standing orders for credit transfers, recurring direct debits and recurring incoming credit transfers executed on a payment account, or any positive payment account balance from one payment account to the other, or both, with or without closing the former payment account.
Target Market	A group of clients or potential clients to whom a particular Retail Product or Service is being offered by a Regulated Person.
Telephone Banking	A service provided by the Regulated Person, other than Mobile Banking, which enables a Client to use voice telephony to access certain features and characteristics of the Retail Product which the Client holds.
Tied Credit Intermediary	Any Credit Intermediary who acts on behalf of and under the full and unconditional responsibility of: - only one Creditor; - only one group of Creditors; or

	c. a number of creditors or groups which does not represent the majority of the market.
Total amount of credit	The ceiling or the total sum made available under a credit agreement.
Total amount payable by the client	The sum of the total amount of credit and the total cost of the credit to the client
Total cost of the credit to the client	All the costs, including interest, commissions, taxes and any other kind of fees which the client is required to pay in connection with the credit agreement and which are known to the Regulated Person, except for notarial costs; costs in respect of ancillary services relating to the credit agreement, in particular insurance premiums, are also included in the total cost of the credit to the client where, in addition, the conclusion of a contract regarding such ancillary services is compulsory in order to obtain the credit or to obtain it on the terms and conditions marketed.
Tying Practice	The offering or the selling of a Retail Product in a package with other distinct financial products or services where the Retail Product is not made available to the Clients separately. This would include Tied Packages consisting of: - two different Retail Products; - a Retail Product and an insurance product; or - a Retail Product and an investment product.
Unfair Commercial Practices Directive	Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directive 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council, as amended from time to time.
Vulnerable Client	A Client who, due to their personal circumstances, is especially susceptible to harm.

Applicability in the context of Consumer Credit Agreements

- a. With respect to Consumer Credit Agreements qualifying as **Overrunning**, only the following rules **shall apply**: R.1.3.122C, R.1.3.128A, R.1.3.146, R.1.3.147, R.1.3.148, R.1.3.148A.1 to R.1.3.148A.3; Article 19 of Directive (EU) 2023/2225, R.5.4.131B.1, R.5.4.131B.2, R.5.10.215, R.5.10.215A.1 and R.5.10.215A.2, R.5.10.216, R.5.10.217, R.5.10.217A to R.5.10.217C, and R.5.4.131A.1 to R.5.4.131A.11.
- b. With respect to Consumer Credit Agreements qualifying as **open-end Credit Agreements existing on 20 November 2026**, the following rules and guidelines **shall apply**: R.1.3.140, R.1.3.141, R.1.3.144 to R.1.3.144A.3, R.1.3.147, R.1.3.148, R.5.8.185 to R.5.8.188 and R.5.9.196.
- c. With respect to Consumer Credit Agreements qualifying as **Credit Agreements between the Regulated Person and the Client in respect of deferred payments or repayment methods, where the Client is already in default or is likely to default on the initial Credit Agreement and where the following conditions are fulfilled**:
 1. the arrangement is likely to avert the possibility of legal proceedings concerning the default of the client; and
 2. the Client would not, by entering into the arrangement, be subject to terms less favourable than those laid down in the initial Credit Agreement:

the following rules **shall apply**: R.1.3.114, R.1.3.123 to R.1.3.128A, R.1.3.137, R.1.3.138 (a) to (h) and (l) and (r), R.1.3.139 to R.1.3.141, R.1.3.146 to R.1.3.148A.3, R.2.2.45, R.2.2.47A.1 to R.2.2.47A.7, R.3.13.64 to R.3.13.67, R.5.3.52A and R.5.3.52B, Article 19 of Directive (EU) 2023/2225, R.5.4.131B.1. and R.5.4.131B.2, R.5.8.185 to R.5.8.188, R.5.9.201 to R.5.9.207, and R.5.10.215 to R.5.10.217C.

- d. **With respect to the following consumer credit agreements:**
1. Consumer Credit Agreements involving a total amount of credit of less than €200;
 2. Consumer Credit Agreements where credit is granted free of interest and without any other charges;
 3. Credit agreements under the terms of which credit has to be repaid within three months and only insignificant charges are payable

the following Rules **shall apply**: R. 2.2.45 (e) to (g), R.1.3.118B, R.1.3.133 and R.1.3.139.

Chapter 1 Disclosures

Introduction

In order for Clients to be able to make well informed decisions in relation to Retail Products and Services, they should have access to high-quality Information that is provided at the appropriate time, via suitable means, and that clearly explains the features and costs across the lifetime of such Retail Products. This applies to situations which require physical interaction between the Regulated Person and the Client and perhaps even more so when the relationship lacks this feature and instead relies on technological means through which both parties communicate and even conclude contracts at a distance.

This Chapter therefore highlights the importance of Regulated Persons providing adequate Information to Clients, existing and prospective, both on a pre- and post-contractual basis for Clients to be reasonably able to understand the nature and risks of the Retail Product or Service being provided. Such disclosures are to be made in good time prior to the conclusion of the contract leading to the purchase of the Retail Product, such that the Client would have adequate time to process the information and be in a position to take informed decisions.

Whilst there are a number of general rules and guidelines set out in this Chapter which are product agnostic and which therefore find applicability across all Retail Products offered by Regulated Persons, (covered by the Section titled General Rules), this Chapter also covers other dedicated sections which are solely applicable to the provision of specific products, and which have been largely inspired by legislative and regulatory efforts at European level. This applies to Consumer Credit Agreements, particularly those related to Immovable Property, as well as the provision of Payment Accounts and Deposit Accounts.

Section 1: General Rules

General Requirements

- R.1.1.1 Regulated Persons shall follow the Rules and Guidelines included in this Chapter in addition to, and without prejudice to, the requirements of:
- a. [Central Bank of Malta Directive 1](#) in terms of the [Central Bank of Malta Act](#); and
 - b. [Distance Selling \(Retail Financial Services\) Regulations](#) as may be amended from time to time.
- R.1.1.2 Where, in terms of this Rulebook, Information is required to be disclosed to Clients in a Durable Medium, it shall be disclosed:
- a. in an electronic format pursuant to R.1.1.3 with an opt-in option by the Client to have it on paper;
 - b. in a clear and accurate manner, comprehensible to the Client, in such a way that Clients are reasonably able to understand the nature and risks of the Retail Product and/or Service provided;
 - c. in one of the official languages of Malta, or in any other language agreed by the parties; and
 - d. free of charge.
- R.1.1.2A When information is provided to clients in accordance with this Rulebook, such information is provided without charge to the client, regardless of the media used to provide it.
- R.1.1.3 Notwithstanding R.1.1.2(a), the Regulated Person may disclose to the Client any Information it is required to disclose in terms of this Rulebook in any one of the following means:
- a. through a Durable Medium other than paper, where the conditions laid down in R.1.1.4 are met; or
 - b. by means of a website where the conditions laid down in R.1.1.17 are met.
- R.1.1.4 Where Information is required to be disclosed in a Durable Medium, Regulated Persons shall have the right to provide that Information in a Durable Medium other than on paper, only if:
- a. the provision of that Information in that medium is appropriate to the context in which the business between the Regulated Person and the Client is, or is to be, carried on; and
 - b. the person to whom the Information is to be disclosed, when offered the choice between Information on paper or in that other Durable Medium, specifically chooses the provision of the

Information in that other medium by way of an optional opt-in to receive Information in that Durable Medium other than paper.

R.1.1.5 Where the Information to be disclosed in a Durable Medium, is disclosed by the Regulated Person using a Durable Medium other than paper or by means of a website, a paper copy shall be provided to the Client upon request and free of charge.

R.1.1.6 The Regulated Person shall also ensure that any Information provided pursuant to R.1.1.2 shall be up to date.

R.1.1.7 The Regulated Person shall ensure that in cases where Information is provided to the Client in both Maltese and English and a conflict arises between both versions, the wording of the English version shall prevail.

Information disclosed in conjunction to Credit Agreements – whether relating to residential immovable property or otherwise – should be disclosed to Clients in plain English language and, if requested by the Client, in Maltese or in any other language agreed upon by the Client and the Regulated Person, and with any deemed technical terms being explained therein, in order for it to be clear and non-misleading to Clients.

R.1.1.8 When Information is required to be disclosed on a pre-contractual basis, Regulated Persons must ensure that such disclosures are made in good time before Clients are bound by a contract, so as to provide them with the opportunity and ability to act on the Information.

G.1.1.1 *In doing so, Regulated Persons should consider the importance of the Information to the Client's decision-making process and the time at which the Information may be most useful.*

In determining what constitutes "in good time" pursuant to this Rulebook, a Regulated Person should take into account, having regard to the urgency of the situation, the Client's need for sufficient time to read and understand before taking any decision based on the information therein. A Client is likely to require more time to review information provided on an unfamiliar Retail Product or Service, or a Retail Product or Service a Client has no experience with.

G.1.1.2 *When providing such Information through digital means, Regulated Persons should avoid applying a pre-ticked box approach as a means to obtain evidence of the Client's understanding and consent.*

G.1.1.3 *It is considered good practice for Regulated Persons to use boxes, pop-ups, simulations and similar means for the purpose of drawing the Client's attention and to increase their understanding of product risks.*

- R.1.1.9 Regulated Persons should refrain from using pre-ticked boxes through which the Client is, by default, being opted into buying additional or Ancillary Retail Products or Services. Where such Retail Products or Services are offered during the contracting process, these should be clearly framed and presented separately from the Information about the main underlying Retail Product. Instead, Regulated Persons should ensure that Clients exercise active and informed consent.
- R.1.1.10 The existence of a right to cancel a contract and withdraw from a Retail Product or Service shall not impact what information a Client should be provided with in order to enable him to make an informed purchasing decision.

Information about Banking Services

- R.1.1.11 The Regulated Person shall publish information about the days on which and the times at which a Client may visit any of the Branches located in the Maltese Islands or make use of the different methods of banking services made available to the Client.
- R.1.1.12 The Regulated Person must make such information available to the Client upon request in a Durable Medium and free of charge. This information must also be made available and kept up to date at all times on the Regulated Person's website.
- R.1.1.13 Pursuant to R.1.1.11, different methods of banking services that may be made available to Clients include, but is not limited to:
- a. Mobile Banking;
 - b. Internet Banking; and
 - c. Telephone Banking.
- R.1.1.14 The Regulated Person shall make available by means of an instructions document, information on how Clients can apply for, make use of, or discontinuing their use of the different banking facilities mentioned in R.1.1.13.

Among other things, such instructions document must include:

- a. indicating whether or not it is possible, 24 hours a day and every day of the year, for a Client to make use of certain features of Mobile Banking or Internet Banking;
- b. indicating whether or not 24-hour help is available for Clients to raise queries about carrying out certain actions, where possible or relevant, on their Retail Product;
- c. where 24-hour help is not available under one or more of the banking facilities specified under R.1.1.13, information about how and when Clients can raise queries about carrying out certain

- actions, where possible or relevant, on their Retail Product and any other matters;
- d. contact details of the Regulated Person for each method of banking services – for example: the telephone number for the relevant helplines for Telephone Banking, the website address for Internet Banking, or the name of the application for Mobile Banking or a link to the place where the Client can download it; and
 - e. information on the security safeguards that are in place and the Regulated Person's operational and security resilience, including but not limited to the procedures in place in case of suspicion of fraud and/or unauthorised activity, and relevant statements in relation to the protection of Client's personal data and handling thereof in compliance with the [General Data Protection Regulation \(EU\) 2016/679](#) and instructions on how to contact the Data Protection Officer in case of any potential or identified breaches.

Disclosure of Information on Regulated Persons

- R.1.1.15 A Regulated Person shall in good time, prior to the conclusion of any contract, or if there is a material change after the conclusion of a contract for the provision of a Service or Product, make the following disclosures to Clients:
- a. its name and address and the Retail Product or Service which is being provided or carried out which, shall include the address of the head office of the Regulated Person (including where applicable, the name of the Member State or Third Country where such head office is situated) and, where appropriate, the address of the agent or Branch concluding the contract (including where applicable, the name of the Member State or Third Country where such Branch is situated);
 - b. a statement of the fact that the Regulated Person is licensed by the MFSA. Where applicable, a Regulated Person shall also disclose to the Client the Register in which the Regulated Person has been included and the means for verifying that it has been registered or notified;
 - c. information relating to the procedures allowing Clients or other interested persons to register complaints about the Regulated Person;
 - d. information related to any deposit guarantee scheme, including the Deposit Compensation Scheme, which the Regulated Person is obliged to provide in terms of the [Depositor Compensation Scheme Regulations](#);
 - e. the languages in which the Client may communicate with the Regulated Person, and receive documents and other Information from the Regulated Person;
 - f. where the Regulated Person is acting through a Credit Intermediary, a statement of this fact; and

- g. at the request of the Client, further details of the Conflicts of Interest Policy in a Durable Medium or by means of a website (where that does not constitute a Durable Medium).

R.1.1.16 A Regulated Person which decides to appoint a Credit Intermediary shall ensure that, when contacting or before dealing with any Client, such Credit Intermediary discloses the capacity in which it is acting and the Regulated Persons which it is representing.

Regulated Persons carrying on a Service through Digital Communication

R.1.1.17 Where, in terms of this Rulebook, a Regulated Person is permitted to disclose Information to a Client by means of a website, and where that Information is not addressed personally to the Client, the following conditions must be satisfied:

- a. the provision of that Information in that medium is appropriate to the context in which the business between the Regulated Person and the Client is, or is to be, carried on;
- b. the Client shall be notified electronically of the address of the website, and the place on the website where the Information may be accessed;
- c. Legal Information should be provided in clear and understandable language and technical jargon should be avoided, whenever possible;
- d. Unrelated material which may diminish the communication of key messages to Clients should be avoided;
- e. the Information must be up to date and displayed prominently;
- f. the Information should be presented in plain and intelligible language and in a readable font size, which should easily adapt to work on any kind of device;
- g. the Information must be concise and presented in a clear and understandable format; and
- h. the Information must be accessible continuously by means of that website for such period of time as the Client may reasonably need to inspect it.

R.1.1.18 The internet website, shall, as a minimum, include the following Information:

- a. the name, address and contact details of the Regulated Person;
- b. a statement that such Regulated Person is authorised to carry on the Service;
- c. a list of the jurisdictions in which such Regulated Person is authorised or to carry on the Service. The term "authorised" includes a Regulated Person establishing a Branch or providing

Services in a Member State or an EEA State in terms of the [European Passport Rights for Credit Institutions Regulations](#);

- d. procedures for the submission of complaints and a description of the complaints handling procedure of the Regulated Person;
- e. contact details of the officer of the Regulated Person responsible for consumer complaints and Information that complaints may be referred by the complainant to the Office of the Arbiter for Financial Services established under the [Arbiter for Financial Services Act](#) if the complainant is not satisfied with the manner in which his complaint has been resolved by the Regulated Person;
- f. a hyperlink to a comprehensive document covering the tariff of charges for Retail Products offered by the Regulated Person and any other tariff of charges by the Regulated Person which might not be directly linked to a Retail Product. Such a hyperlink must be accessible at all times and placed in a prominent position in the website's homepage;
- g. an up-to-date publication of all interest rates applicable for the Retail Products or Services offered by the Regulated Person, which must be updated as soon as any interest rate change comes into effect;
- h. the list of Branches pertaining to that Regulated Person present in any location of the Maltese Islands, including their postal address, main contact number and respective opening hours;
- i. information, including general usage instructions and any associated fees and charges thereto, on the possibility for Clients to make use of additional banking facilities, including but not limited to:
 - i. Mobile Banking;
 - ii. Telephone Banking;
 - iii. Internet Banking.

R.1.1.19 For the purposes of R.1.1.4 and R.1.1.17, the provision of Information by means of electronic communications shall be treated as appropriate to the context in which the business between the Regulated Person and the Client is, or is to be, carried on if there is evidence that the Client has regular access to the internet. The provision by the Client of an e-mail address for the purposes of the carrying on of that business shall be treated as such evidence.

R.1.1.20 The use of digital means of communications should not result in the disclosure of Information that is overly restrictive and, hence, unclear, ambiguous or misleading.

G.1.1.4 *It is considered good practice that Regulated Persons monitor the design and prominence of relevant disclosures by analysing Client behaviour, for example by gathering feedback from Clients, monitoring their activities and following up on complaints to ensure their effectiveness in the commercialisation of Retail Products and Services*

through digital means. Regulated Persons should take the results of the monitoring into account to decide on potential changes required.

- R.1.1.21 Information shall be considered as being presented prominently if, having regards to the content it is presented alongside, it is likely that the attention of the average Client would be drawn to it.

When providing information electronically, information is likely to be presented prominently as long as it consists of sufficient information that is not solely dependent on having the Client access a separate webpage or providing him with the option to download and open a separate file containing it.

- R.1.1.22 Regulated Persons should periodically review material disclosed to Clients (both on a pre-contractual and post-contractual basis) so as to ensure that its content and format are still fit for purpose and kept simple and easy to understand.

- R.1.1.23 Where in the course of carrying out a Service, a Regulated Person carries on such Service through the internet, the internet site shall satisfy the conditions indicated in R.1.1.24 which the Regulated Person is required to comply with when operating such site and should, as a minimum, include the Information indicated under R.1.1.25.

- R.1.1.24 Where the Service is carried on through the internet, the following conditions shall be satisfied at all times:
- a. the Regulated Person assumes full responsibility for all Information that is communicated or displayed on the internet site and of the overall quality of any such Information communicated or displayed thereon;
 - b. the Regulated Person shall designate a senior officer to act as a main point of contact with the MFSA in respect of the said site. The designated person and any change of the designated person shall be immediately communicated to the MFSA;
 - c. the Regulated Person shall ensure that all data and Information explained on the internet site is complete and constantly updated;
 - d. the Regulated Person shall ensure that the appropriate warnings and disclaimers can be viewed in the same browser format as the rest of the site so as to be visible to all visitors to the site; and
 - e. the Regulated Person includes appropriate statements the Client or prospective Client is leaving the internet site and accessing another in cases where the internet site of the Regulated Person is hyperlinked to other sites.

- R.1.1.25 When access to relevant Information is provided through a hyperlink, it is considered good practice that Regulated Persons ensure that hyperlinks are:

- a. not used in a way that misleads Clients away from the relevant Information, for example, by fragmenting the Information provided into separate pieces in different locations;
- b. noticeable and presented consistently, for example regarding style, prominence, positioning, etc., to ensure that Clients can navigate easily through the additional Information available;
- c. labelled appropriately to convey the importance, nature, and relevance of the Information they refer the Client to;
- d. referring Clients directly to the relevant Information on the click-through page; and
- e. periodically tested by the providers for proper functioning.

G.1.1.5 *It is considered good practice that Regulated Persons assess the effectiveness of the hyperlinks by monitoring clickthrough rates and related Client behaviour, and make changes accordingly as required.*

R.1.1.26 When a Regulated Person publishes a change in interest rates, the notice must be displayed on the Regulated Person's website stating the old rate and the new rate and the date from when the changes will apply.

R.1.1.27 Where the length of the Information is such that cannot be shown within the display area in its entirety, leading to the implementation of a scrolling mechanism to view different parts of the document, Regulated Persons should ensure that Clients cannot conclude the contract before scrolling down the entire Information to the very end.

R.1.1.28 Where a Regulated Person communicates with a Client by means of a website, it must ensure that it has in place appropriate arrangements in order to record all the specific Information disclosed to the Client by means of its website, including dated logs of such disclosures, in order to demonstrate that it has complied with all its regulatory requirements.

Disclosures on the Retail Products provided by the Regulated Person

R.1.1.29 A Regulated Person shall ensure that all Information it addresses to, or disseminates to Clients, including marketing communications, satisfies the conditions laid down in R.1.1.30, R.2.1.19 and R.2.1.42.

R.1.1.30 A Regulated Person shall ensure that the Information referred to in R.1.1.29 complies with the following conditions:

- a. the Information includes the name of the Regulated Person;

- b. the Information is accurate and always gives a fair and prominent indication of any relevant conditions when referencing any potential benefits of a Retail Product or Service;
- c. the Information uses a font size in the indication of relevant risks that is at least equal to the predominant font size used throughout the Information provided, as well as a layout ensuring such indication is prominent;
- d. the Information is sufficient for, and presented in a way that is likely to be understood by whom it is directed to, or by whom it is likely to be received;
- e. the Information does not disguise, diminish or obscure important items, statements or warnings;
- f. the Information is consistently presented in the same language throughout all forms of Information and Advertising materials that are provided to each Client, unless the Client has accepted to receive Information in more than one language; and
- g. the Information is up to date and relevant to the means of communication used.

G.1.1.6 *The Information to be disclosed to the Client may vary according to a number of considerations, such as the Information needs of a reasonable recipient having regard to the type of Retail Product or Service that is proposed or provided and its overall complexity, main benefits, risks, limitations, conditions and duration, as well as whether the same Information has been provided to the Client previously and, if so, when that was.*

G.1.1.7 *Pursuant to G.1.1.6, Regulated Persons are expected to make available to Clients clear and general information and guidance on the Retail Products it offers. In particular, in the context of Credit Agreements related to immovable property, Regulated Persons need to ensure that the information provided covers the credit granting process in order to guide Clients, including necessary information requested for Clients seeking to take out a Credit Agreement relating to Residential Immovable Property for the first time.*

R.1.1.31 A Regulated Person must provide each Client with the appropriate information in good time before the Client is bound by the contract for the Retail Product or Service. As a minimum, this shall include:

- a. The contractual terms and conditions of the Retail Product, with reference to:
 - i. any changes to such terms and conditions,
 - ii. the duration of the contract,
 - iii. any rights and agreements relating to the termination of the contract, and
 - iv. any consequences of breaching any of the contractual terms and conditions;

- b. The key features of the Retail Product or Service, as well as a general description and nature of the prevalent conditions associated with such product or service;
- c. The different Retail Products or Services offered by the Regulated Person which share the main features of the product or service which the Client has enquired about, or which have common features the Client has expressed an interest in, unless the Client has expressly indicated that he does not wish to receive that information;
- d. The applicable rate or rates of interest, how and when such interest is calculated and applied and any changes to that rate or those rates;
- e. Where applicable, any exchange rates to be applied or, if reference exchange rates are to be used, the relevant date and index or base for determining such reference exchange rate;
- f. Any direct or indirect fees or charges payable at any time by or on behalf of a Client in relation to each Retail Product or Service and any changes to those charges;
- g. Information about communication channels, including the technical requirements for the Client's equipment and software agreed between the parties for the transmission of Information or notifications under this Rulebook; the manner and frequency with which information under this Rulebook is to be provided or made available; the language or languages in which the framework contract will be concluded and communicated during this contractual relationship undertaken;
- h. The time at which any funds placed with or transferred to the Regulated Person for credit to the Client's account/s will be made available to such Client;
- i. The Client's right to cancel a contract for a Retail Product or Service, subject to the terms and conditions associated with the Retail Product or Service in question;
- j. The manner in which the Client may lodge a complaint and any other contractual clauses on the law applicable to the contract and/or competent court which may impact the Client's recourse to redress;
- k. Where the client requests for the opening and access of a Payment and/or Deposit Account Information related to such account, should the Client meet the Regulated Person's eligibility criteria for such account.

- R.1.1.32 The contractual terms and conditions referenced in R.1.1.31(a) shall:
- a. Provide a fair and balanced description of the relationship between the Client and the Regulated Person;
 - b. Highlight the Client's liabilities and obligations when using the Retail Product;

- c. Be consistently reviewed to ensure their continued compliance within this Rulebook and other applicable legislation and regulations; and
- d. Be provided to the Client in advance.

Moreover, Regulated Persons should advise Clients to read and understand the terms and conditions when applying for Retail Products or Services and should allow Clients reasonable opportunity to review the terms and conditions before the applications.

- G.1.1.8** *Pursuant to R.1.1.31, the Regulated Person must be willing to provide the Client with verbal explanations of any Information relating to the Retail Product, including but not limited to:*
- a. aspects on the delivery of Service thereof, irrespective of whether included in the terms and conditions or any other Advertising material, or*
 - b. any other questions that the Client might have about the Regulated Person itself, as long as it is not construed to be a violation of any other applicable law or regulation.*
- R.1.1.33** The Regulated Person shall explain to the Client his duty to disclose all circumstances material to the Retail Product or Service being provided and the consequences of any failure to make such a disclosure, both before the Retail Product or Service is provided and throughout the duration of the Service provided. The Regulated Person shall also take account of the Information the Client discloses.
- R.1.1.34** In the completion of an application form, product form, or any other material document, as applicable, the Regulated Person shall make it clear that all the answers or statements obtained from the Client are the Client's own responsibility. The Client should always be requested to check the details.
- R.1.1.35** If a Regulated Person's initial contact with a Client with a view to providing a Retail Product or Service is by telephone, then the following Information should be provided before proceeding further:
- a. the name of the Regulated Person and, if the call is initiated by or on behalf of a Regulated Person, the commercial purpose of the call;
 - b. that the services/products mentioned in the call are subject to fees and charges, where this is the case; and
 - c. that the Information given under (a) or (b) will subsequently be confirmed in a Durable Medium in case the Client is interested to proceed further.
- R.1.1.36** In cases where Regulated Persons make initial contact with a Client on the telephone, a Regulated Person shall in addition take into account and comply with the requirements of Distance Selling (Retail Financial

Services) Regulations as may be amended from time to time, where these are applicable. If the Client has chosen to obtain Information given prior to the conclusion of the contract on Durable medium other than paper in accordance with R.1.1.5, Information shall be provided by the Regulated Person to the Client in accordance with R.1.1.2 and R.1.1.4 in good time and prior to the Client being bound by a Distance Contract or offer.

- R.1.1.37 Notwithstanding R.1.2.110 and R.1.3.143, where the Regulated Person proposes to make:
- a. a change in the terms or conditions other than the interest rate or borrowing rate; or
 - b. a change to any charge or fee,

that applies to a Retail Product or Service and that will be to the disadvantage of the Client, the Regulated Person should notify the Client on paper or any other Durable Medium at least 60 days before the changes takes effect, taking into account any period of notice required by the Client to terminate the contract in question. The said notification relating to any change in any charges or fees should be accompanied by the reasons for such change.

Notwithstanding the requirements of R.1.2.105 and R.1.3.142, where the Regulated Person proposes to exercise a power to change any rate of interest, that applies to that Retail Product or Service and shall be at a disadvantage of the Client, the Regulated Person should notify the Client on paper or any other durable medium at least 30 days before the change takes effect, taking into account any period of notice required by the client to terminate the contract in question.

- R.1.1.38 In addition to its obligations under R.1.1.37, Regulated Persons shall also provide reasonable notice to the Client on paper or in another Durable Medium before any material change:
- a. to its Mobile, Internet or Telephone Banking services insofar as this may impact the Client's utilisation or visibility of Retail Products or Services it is subscribed to;
 - b. to the manner in which a Client is able to access its account/s; and
 - c. in the manner and form in which a Client's account information is displayed.

- R.1.1.39 For the purposes of R.1.1.37 and R.1.1.38, Regulated Persons should ensure that the heading of the notice clearly indicates the main substance of the change to which the notification relates. The notice should also be provided in plain language, where appropriate and practical, and should reference the ways in which the Client may indicate their refusal and any potential consequences thereto.

- R.1.1.40 Where a Regulated Person notifies a Client of a change to a rate of interest that applies to a Retail Product that will be to the disadvantage

of the Client, this notification should, where applicable refer to the fact that the Regulated Person offers a comparable Retail Product or Service for which the Client is eligible, where this is the case.

- R.1.1.41 In addition to R.1.1.40, where a Regulated Person notifies a Client of a change to a rate of interest that applies to a Retail Product that will be to the disadvantage of the Client, this notification should indicate that the Regulated Person will assist the Client to move to another Retail Product or Service if he or she wishes to do so.
- R.1.1.42 Where, under a contract for a Retail Product or Service, an introductory, promotional or preferential rate of interest applies to the Retail Product until a specified future date or the end of a fixed period, a Regulated Person should provide notice of the expiry of the application of that rate of interest to the Client on paper or in another Durable Medium within a reasonable period before that rate of interest ceases to apply.
- R.1.1.43 A Regulated Person shall make available to Clients on paper or in another Durable Medium such regular statements as are appropriate to the type of Retail Product or Service being provided, unless:
- a. The Regulated Person has provided the Client with another document in a Durable Medium that records transactions in relation to that Retail Product;
 - b. The Client has elected not to receive periodic statements, and for so long as such election is in force; or
 - c. The Regulated Person has reasonable grounds to believe that the Client is no longer resident at the address which is last known to the Regulated Person and it is not practical, after reasonable inquiry, to ascertain the Client's current address.
- R.1.1.44 A Regulated Person shall provide Clients with a copy of any statement referenced under R.1.1.43 on paper or in another Durable Medium within a reasonable period of time following a request to that effect, or on a periodic basis opted for by the client but not more frequent than on a monthly basis, but at least on a yearly basis if no such request is made.
- R.1.1.45 A Regulated Person shall not charge a fee for providing information in terms of R.1.1.43.
- G.1.1.9 *Regulated Persons shall ensure that, amongst other considerations, the rate of applicable interest to the Retail Product in question is always indicated in each statement provided or made available to the Client.*

Disclosure of Information on Tied and/or Bundled Packaged Products

- R.1.1.46 When a Service is offered together with another Retail Product or Service as part of a Bundled Package or as a condition for the same agreement or package, the Regulated Person shall inform the Client whether it is possible to buy the different components separately and, in such case, shall provide an adequate description of the different components of the agreement or package as well as separate evidence of the costs and charges of each component.
- R.1.1.47 Where the conditions resulting from such an agreement or package offered to a Retail Client are likely to be different from the risks associated with the components taken separately, the Regulated Person shall provide an adequate description of the different components of the agreement or package and the way in which its interaction modifies the conditions.
- R.1.1.48 Regulated Persons which distribute a Bundled Package must design their purchase options in a way which enables Clients to actively select a purchase and therefore to make a conscious decision to buy the Component product or the Bundled Package. Regulated Persons must not use pre-ticked boxes (online or in any other sales document) when they cross-sell one Retail Product or Service with another.
- R.1.1.49 Regulated Persons which distribute a Bundled Package must present their purchase options in a way which avoids giving a false perception that the purchase of the Bundled Package is compulsory when in fact it is an optional purchase.
- R.1.1.50 Regulated Persons which distribute a Tied or Bundled Package must make available in good time before the Client is bound to the agreement, Information on the price of both the Bundled Package and of each of its Component products, allowing the Client to make an informed decision.
- R.1.1.51 Regulated Persons which distribute a Tied or Bundled Package must provide Clients with a clear breakdown and aggregation of all relevant known costs associated with the purchase of the Bundled Package and its Component products (such as administration fees, transaction costs, and exit or pre-payment penalty charges). Where costs cannot be calculated with precision on an ex-ante basis but nevertheless will be incurred by Clients after the purchase of the Bundled Package, the Regulated Person must provide an estimation of these costs based on reasonable assumptions.

- R.1.1.52 Regulated Persons which distribute a Tied or Bundled Package must ensure that the price on cost information of the Bundled Package and its Component products is communicated to Clients in a prominent, accurate manner and in simple language, with any technical terminology explained.
- R.1.1.53 Regulated Persons which distribute a Tied or Bundled Package must ensure that when promoting any of the Component products that will form a Bundled or Tied Package, equal prominence is assigned to the price and cost information of these individual Component products so that a Client can properly and quickly discern the cost impact upon them as a result of purchasing both as a package and individually.
- G.1.1.10 *In any marketing communications used by the Regulated Person, the font used to communicate the relevant price and cost information of each of the Component products intended to be sold as a Bundled Package is the same. Relevant information concerning one of the Component products is not given more emphasis with the use of a bigger or bolder font.*
- G.1.1.11 *Where the sale takes place on the internet or through another channel without a sales person directly involved, the price and cost information of both Component products that will form the Bundled Package appears early-on in the relevant webpages and is easily navigated by Clients i.e. the price and cost information of any Component product which will form part of the Bundled Package is not placed or 'hidden' further down in the Regulated Person's online sales form.*
- R.1.1.54 Regulated Persons which distribute the Tied or Bundled Package must ensure that the price and cost information is presented to Clients in a way which is not misleading or which distorts or obscures the real cost to the Client or prevents meaningful comparison with alternative Retail Products.
- R.1.1.55 Regulated Persons which distribute the Tied or Bundled Package must ensure that Clients are provided with key Information relating to the non-price features and risks where applicable, of each of the Component products and the Package, including in particular the information on how the risks are modified as a result of purchasing the Bundled Package rather than each of the components separately.
- R.1.1.56 Regulated Persons which distribute the Tied or Bundled Package must ensure that key non-price factors and the relevant risks are promoted to Clients with the same prominence and weight as information on price and cost of the Component products or Tied or Bundled Package. These must be made clear to Clients in simple language, with any technical terminology explained, in good time before the Client is bound to the agreement.

R.1.1.57 Regulated Persons which distribute the Tied or Bundled Package must ensure that information on the non-price features and risks of the package is presented to Clients in a way which is not misleading or which distorts the impact of these factors for the Client.

G.1.1.12 *A Regulated Person should draw the Client's attention to the limitations and risks of the Tied or Bundled Package and the Component products and guides the Client through the relevant information which sets out the key benefits, limitations and risks of the Tied or Bundled Package and the Component products. The sales person should explain carefully and in due time (i.e. before the Client is bound to the agreement) how these non-price factors materially change according to:*
a. whether the Component product is purchased and
b. which Component product is selected.

The Regulated Person should alert the Client of the Tied Package to the overall benefits, limitations and risks of the Tied or Bundled Package.

G.1.1.13 *A Regulated Person should refrain from exclusively relying on a general reference to their Terms & Conditions to alert or disclose key non-price Information to Clients. Instead, the Regulated Person should explain the risks and non-price Information to the Client in plain language.*

Disclosure of Information provided at Branches upon Request

R.1.1.58 All Branches of a Regulated Person must have unrestricted access to any relevant sources of information about Retail Products provided by the Regulated Person which would enable the Branch to satisfy a Client's request for information. This information needs to be kept up to date and coherent with the original source of information, provided free of charge and on a Durable Medium agreed by the Client.

All Branches of a Regulated Person should have unrestricted access to the information provided by the same Regulated Person in so far as to be able to satisfy any requests put forward by the Client in relation to any of the disclosure requirements set out in this Rulebook.

R.1.1.59 Where electronic devices are used to present information in Branches or during face-to-face discussions between staff members of the Regulated Person and the Client, the Regulated Person should, upon request, provide Clients with alternative means to review the relevant information.

- R.1.1.60 The Regulated Person should take reasonable measures to enhance the access to its Services being provided in Branches, especially to its Vulnerable Clients.
- R.1.1.61 Regulated Persons shall, amongst others and upon request by Clients, provide in a Durable Medium and free of charge, the following:
- a. Details on each Retail Product available, with an overview of its main features and characteristics, benefits and risks;
 - b. The latest version of general tariff of charges and fee information for each specific Retail Product;
 - c. The current interest rates and exchange rates that are in force which would be applicable in conjunction with any of the Retail Products, where relevant;
 - d. General terms and conditions; and
 - e. Other educational consumer information which the Regulated Person may issue.

Disclosures of Conflicts of Interest

- R.1.1.62 Where organisational or administrative arrangements made by the Regulated Person to prevent conflicts of interest from adversely affecting the interest of its Client are not sufficient to ensure, with reasonable confidence, that risks of damage to Client interests will be prevented, the Regulated Person shall clearly disclose to the Client the general nature and sources of conflicts of interest and the steps taken to mitigate those risks before undertaking business on its behalf.

The disclosure shall:

- a. be made in a Durable Medium; and
 - b. include sufficient detail to enable that Client to take an informed decision with respect to the Retail Product or Service in the context of which the conflict of interest arises.
- R.1.1.63 Regulated Persons shall ensure that disclosure to Clients pursuant to R.1.1.62 above, is a measure of last resort that can be used only where the effective organisational and administrative arrangements established by the Regulated Person to prevent or manage its conflicts of interests, in accordance with R.4.2.19 are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the Client will be prevented.
- R.1.1.64 When disclosure of specific conflicts of interests is required, the disclosure shall clearly state that the organisational and administrative arrangements established by the Regulated Person to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence that the risk of damage to the interest of the Client will be prevented. The disclosure to Clients must be made in a Durable

Medium and it must also include a specific description of the conflict of interest that arises in the provision of the Retail Product, Services and/or Ancillary Services. That description must explain the general nature and sources of conflicts of interest, as well as the risks to the Client that arise as a result of the conflict and the steps undertaken to mitigate these risks, in sufficient detail to enable that Client to make an informed decision with respect to the Retail Product, Service or Ancillary Service in the context of which the conflicts of interest arise.

- G.1.1.14 Regulated Persons have a duty to take effective steps to identify, and prevent or manage conflicts of interest between themselves, including their managers, employees and any Credit Intermediaries, or any person indirectly linked to them by control and their Clients or between one Client and another and mitigate the potential impact of these risks as far as possible. When some residual risk of detriment to the Client's interests nonetheless remains, clear disclosure to the Client of the general nature and sources of conflicts of interest to the Client and the steps taken to mitigate these risks shall be made before undertaking business on its behalf.*
- G.1.1.15 Where conflicts of interest arise and cannot be reasonably avoided, Regulated Persons shall disclose the general nature and source of the conflicts of interest to the Client and shall ensure that any conflict does not result in damage to the interests of the Client.*
- G.1.1.16 The disclosure of conflicts of interest by a Regulated Person should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements relating to the prevention of conflicts of interest. While disclosure of specific conflicts of interest is required by R.1.1.62, an over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is not permitted.*
- R.1.1.65** Regulated Persons who charge a fee and also receive commission where Credit Intermediaries are involved in respect of the Product or Service provided to the Client, such Regulated Person shall disclose to the Client, in good time, prior to the provision of a Retail Product or Service, whether or not the commission will be offset against the fee, either in full or in part.
- R.1.1.66** A Regulated Person shall also be required to disclose at any time that the Client requests it, further details of the Conflicts of Interest Policy in a Durable Medium or by means of a website.
- R.1.1.67** A Regulated Person shall, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant Services or Ancillary service, clearly disclose to the Client the existence, nature and amount of any payment or benefit designed to enhance the quality of

the relevant Service to the Client, as defined in R.4.1.7 or, where the amount cannot be ascertained, the method of calculating that amount. Minor non-monetary benefits may be described in a generic way. Other non-monetary benefits received or paid to the Regulated Person in connection with the Service provided to a Client shall be priced and disclosed separately.

Section 2: Disclosure Requirements for Clients entering into Credit Agreements relating to Residential Immovable Property

Applicability

- R.1.2.68 In addition to the applicability of Section 1 of this Chapter, the Rules and Guidance under this Section shall solely apply to Credit Agreements relating to Residential Immovable Property as set out in the Glossary of Definitions to this Rulebook.

General Requirements

- R.1.2.69 Regulated Persons, including Credit Intermediaries, shall always act in the best interest of Clients when disclosing information of any nature.
- R.1.2.70 Regulated Persons, including Credit Intermediaries, shall take all necessary steps to ensure full compliance with these regulations.
- R.1.2.71 Without prejudice to R.1.2.70, a Credit Intermediary shall:
- a. indicate in documentation intended for Clients, the extent of its powers, in particular whether it is a Tied Credit Intermediary, and in such case, whether it acts on behalf of and under the full and unconditional responsibility of only one Regulated Person, only one group, or a number of Regulated Persons or groups which does not represent the majority of the market;
 - b. disclose the fee, if any, payable by the Client for its services, which fee shall be agreed in writing or on a Durable Medium between the Client and the Credit Intermediary before the conclusion of the Credit Agreement relating to Residential Immovable Property; and
 - c. disclose the fee, if any, payable by the Client to the Credit Intermediary for its services to the Regulated Person for the purpose of calculating the Annual Percentage Rate of Charge (APRC).

- R.1.2.72 The APRC shall be calculated in accordance with the mathematical formula set out in Annex I to this Chapter.
- R.1.2.73 The costs of opening and maintaining a specific account, of using a means of payment for both transactions and drawdowns on that account and of other costs relating to payment transactions shall be included in the total cost of credit to the Client whenever the opening or maintaining of an account is obligatory in order to obtain the credit or to obtain it on the terms and conditions marketed.
- R.1.2.74 The calculation of the APRC shall be based on the assumption that the Credit Agreement relating to Residential Immovable Property is to remain valid for the period agreed and that the Regulated Person and the Client will fulfil their obligations under the terms and by the dates specified in the said Credit Agreement.

It is also to be noted also that an [APRC simulator](#) was published by the European Commission to assist users to calculate the APRC of a given credit. The simulator tool contains an option to select the type of credit and is accompanied by a report presenting examples and instructions on how to use the said tool.

Interest rate calculation for Credit Agreements relating to Residential Immovable Property is to be calculated as per below methodology. When an interval between dates used in the calculation cannot be expressed as a whole number of years, months or weeks, the interval shall be expressed as a whole number of one of these periods in combination with a number of days. For the choice among years, months or weeks, consideration shall be given to the frequency of drawdowns and payments. When using days:

- a. Every day shall be counted, including weekends and holidays;
- b. Equal periods and then days shall be counted backwards to the date of the initial drawdown;
- c. The length of a period of days shall be obtained excluding the first day and including the last day (simple subtraction of dates), and shall be expressed in years by dividing this period by the number of days (365 or 366 days) of the complete year counted backwards from the last day to the same day of the previous year; and
- d. One month is presumed to have 30.41666 days (365/12).

- R.1.2.75 In the case of Credit Agreements relating to Residential Immovable Property containing clauses allowing variations in the borrowing rate and, where applicable, in the charges contained in the APRC but unquantifiable at the time of calculation, the APRC shall be calculated on the assumption that the borrowing rate and other charges will remain fixed in relation to the level set at the conclusion of the contract.

R.1.2.76 For Credit Agreements relating to Residential Immovable Property for which a fixed borrowing rate is agreed in relation to the initial period of at least five years, at the end of which a negotiation on the borrowing rate takes place to agree on a new fixed rate for a further material period, the calculation of the additional, illustrative APRC disclosed in the ESIS (as set out in Annex II to this Chapter) shall cover only the initial fixed rate period and shall be based on the assumption that, at the end of the fixed borrowing rate period, the capital outstanding is repaid.

R.1.2.77 Where the Credit Agreement relating to Residential Immovable Property allows for variations in the borrowing rate, Regulated Persons shall inform Clients of the possible impacts of variations on the amounts payable and on the APRC at least by means of the ESIS, by providing the Client with an additional APRC which illustrates the possible risks linked to a significant increase in the borrowing rate.

Provided that, where the borrowing rate is not capped, the Information referred to in this Rule shall be accompanied by a warning highlighting that the total cost of the credit to the Client, shown by the APRC, may change.

Provided further that, this Rule shall not apply to Credit Agreements relating to Residential Immovable Property where the borrowing rate is fixed for an initial period of at least five years, at the end of which a negotiation on the borrowing rate takes place in order to agree on a new fixed rate for a further material period, for which an additional, illustrative APRC is provided for in the ESIS.

R.1.2.78 Where applicable, the additional assumptions set out in Annex I shall be used in calculating the APRC.

R.1.2.79 When Information is provided to Clients in compliance with the requirements set out in this Section, such Information shall be provided without charge to the Client.

R.1.2.80 Such Information, among other things, should include a comprehensive explanation of the application process to be undertaken by the Client should they wish to proceed with entering into a Credit Agreement relating to Residential Immovable Property.

This should include a list of any documents or information that could be required from the Client at varying stages of the process (including those required at the outset), and outlining the relevance of different milestones along the application process, for example issuing a sanction letter whereby the Regulated Person is confirming its intent

to provide credit to the Client based on the terms and conditions of the Credit Agreement relating to Residential Immovable Property.

Pre-Contractual Information and Practices preliminary to the conclusion of the Credit Agreement relating to Residential Immovable Property

- R.1.2.81 The Regulated Person and, where applicable, the Credit Intermediary, shall provide the Client with the personalised Information needed to:
- a. compare the credits available on the market,
 - b. assess their implications, and
 - c. make an informed decision on whether to conclude a Credit Agreement relating to Residential Immovable Property,

provided that the Information is to be provided to the Client:

- a. without undue delay after the Client has given the necessary Information on his needs, financial situation and preferences;
- b. in good time before the Client is bound by any Credit Agreement relating to Residential Immovable Property or offer; and
- c. on paper or on another Durable Medium.

- R.1.2.82 The personalised Information referred to in R.1.2.81 shall be provided by means of the ESIS, as set out in Annex II to this Chapter. This shall not be modified:

Provided that where the Regulated Person or, where applicable, the Credit Intermediary, wishes to provide to the Client any additional information, and, or where the Regulated Person, or where applicable the Credit Intermediary, is required to provide to the Client any additional information, such additional information shall be given in a separate document which may be annexed to the ESIS.

- R.1.2.83 Regulated Persons and, where applicable, Credit Intermediaries, shall provide the ESIS to the Client before the provision of an offer binding on the Regulated Person:

Provided that when an offer binding on the Regulated Person is provided to the Client, it shall be provided on paper or on another Durable Medium and, where characteristics of the offer are different from the Information contained in the ESIS previously provided in accordance with this sub-regulation, it shall be accompanied by an updated ESIS.

- R.1.2.84 The Client shall be entitled to a full seven (7) day period, in order to ensure that sufficient time to compare offers, assess their implications and make an informed decision, is allowed to the Client:

Provided that the time period referred to in this Rule shall be a reflection period before the conclusion of the Credit Agreement relating to Residential Immovable Property:

Provided further that the reflection period specified in this Rule shall:

- a. be binding on the Regulated Person for the duration of the reflection period; and
- b. allow that the Client may accept the offer at any time during the reflection period.

- R.1.2.85 When the Credit Agreement relating to Residential Immovable Property is being entered into on a Distance Contract basis, the Regulated Person and, where applicable, the Credit Intermediary who has supplied the ESIS to the Client shall be deemed to have fulfilled the requirements regarding Information provision to the Client prior to the conclusion of a Distance Contract as laid down in the Distance Selling (Retail Financial Services) Regulations as may be amended from time to time.

- R.1.2.86 In case of voice telephony communications, the description of the main characteristics of the financial service to be provided, shall include at least the items referred to in the ESIS within Sections 3 to 6 of Part A of Annex II.

- R.1.2.87 The Regulated Person or, where applicable, the Credit Intermediary shall, at the time of the provision of an offer binding on the Regulated Person, provide the Client with a copy of the draft conditions to be eventually entered into the Credit Agreement relating to Residential Immovable Property.

- R.1.2.88 Regulated Persons and, where applicable, Credit Intermediaries shall provide adequate explanations to the Client on the proposed Credit Agreement relating to Residential Immovable Property and any Ancillary Services, in order to place the Client in a position enabling them to assess whether the proposed Credit Agreement relating to Residential Immovable Property and Ancillary Services are adapted to their needs and financial situation.

- R.1.2.89 The adequate explanations referred to in R.1.2.88 shall, where applicable, include in particular:
- a. an explanation of the Information and terms included in the pre-contractual Information to be provided in accordance with R.5.4.102 to R.5.4.110 in the case of Regulated Persons and R.5.4.102 to R.5.4.118 in the case of Credit Intermediaries;

- b. the essential characteristics of the Credit Agreement relating to Residential Immovable Property proposed;
- c. the specific effects the Credit Agreement relating to Residential Immovable Property proposed may have on the Client, including the consequences of default in payment by the Client; and
- d. where Ancillary Services are bundled with a Credit Agreement, relating to Residential Immovable Property whether each component of the bundle can be terminated separately and the implications for the Client of doing so.

Content of Pre-Contractual Information

- R.1.2.90 Regulated Persons and, where applicable, Tied Credit Intermediaries shall make available clear and comprehensible general information about Credit Agreements relating to Residential Immovable Property at all times on paper or on another Durable Medium or in electronic form, and as much as possible, in a plain and intelligible language that can be easily understood by the Client.
- R.1.2.91 The general information referred to in R.1.2.90 shall include at least the following:
- a. the identity and the geographical address of the Regulated Person;
 - b. where applicable, the identity and geographical address of the Credit Intermediary involved;
 - c. the purposes for which the credit may be used;
 - d. the forms of security, including, where applicable, the possibility for it to be located in another different Member State;
 - e. a description of the types of Credit Agreements relating to Residential Immovable Property available, including a short description of the differences between fixed and variable rate products and the related implications for the Client;
 - f. a list of related cost elements, such as administrative costs, insurance costs, legal costs, and where applicable, the costs of intermediaries;
 - g. an indication of the cost of a typical Credit Agreement relating to Residential Immovable Property for the Client;
 - h. the possible duration of the Credit Agreement relating to Residential Immovable Property;
 - i. an indication of the currency or currencies in which the credit falling within the scope of these Rules under this Section is available, including an explanation of the implications for the Client where the credit is denominated in a foreign currency;
 - j. the types of available borrowing rates, the conditions governing the application of such rates and, where available, any index or reference rate applicable to the initial borrowing rate (for example, Euribor), as well as the periods, conditions, and procedures for changing the borrowing rate, provided that if different rates apply in

- different circumstances, the above information shall be supplied in respect of all the applicable rates;
- k. an indicative example of the total amount of credit, the total cost of credit to the Client, the total amount payable by the Client and the APRC;
 - l. an indication of possible further costs, not included in the total cost of the credit to the Client, to be paid in connection with a Credit Agreement relating to Residential Immovable Property;
 - m. the range of different options available for reimbursing the credit to the creditor, including the number, frequency and amount of the regular repayment instalments;
 - n. where applicable, a clear and concise statement that compliance with the terms and conditions of the Credit Agreement relating to Residential Immovable Property does not guarantee repayment of the total amount of credit under the Credit Agreement relating to Residential Immovable Property;
 - o. a description of the conditions directly relating to early repayment;
 - p. whether a valuation of the property is necessary and, where applicable, who is responsible for ensuring that the valuation is carried out, and whether any related costs arise for the Client;
 - q. details on how to obtain information on tax relief on the Credit Agreement relating to Residential Immovable Property interest or other public subsidies;
 - r. an indication of Ancillary Services the Client is obliged to acquire in order to obtain the credit or to obtain it on the terms and conditions marketed and, where applicable, a clarification that the Ancillary Services may be purchased from a provider that is not the Client; and
 - s. a general warning concerning possible consequences of non-compliance with the commitments linked to the Credit Agreement relating to Residential Immovable Property.

Disclosure requirements concerning Credit Intermediaries

- R.1.2.92 Credit Intermediaries shall, in good time before the carrying out of any of the credit intermediation activities in terms of the definition "Credit Intermediary", provide the Client with at least the following information on paper or on another Durable Medium:
- a. the identity and the geographical address of the Credit Intermediary;
 - b. the register in which it has been included, the registration number, where applicable, and the means for verifying such registration;
 - c. whether the Credit Intermediary is tied to or works exclusively for one or more Regulated Person, provided that where the Credit Intermediary is tied to or works exclusively for one or more Regulated Person, it shall provide the names of the Regulated Persons for which it is acting; and provided further that where the

- Credit Intermediary meets the conditions laid down in accordance with R.1.2.99, it may disclose that it is independent;
- d. whether the Credit Intermediary offers Advisory Services;
 - e. the fee, where applicable, payable by the Client to the Credit Intermediary for its services or, where this is not possible, the method for calculating the fee;
 - f. the procedures allowing Clients or other interested parties to register complaints internally about the Credit Intermediary and, where appropriate, the means by which recourse to out-of-court complaint and redress procedures can be sought;
 - g. where applicable, the existence and, where known, the amount of commissions or other inducements, payable by the Regulated Person or third parties to the Credit Intermediary for its services in relation to the Credit Agreement relating to Residential Immovable Property, provided that where the amount is not known at the time of disclosure, the Credit Intermediary shall inform the Client that the actual amount will be disclosed at a later stage in the ESIS.

- R.1.2.93 Credit Intermediaries which are not tied but which receive commission from one or more Regulated Persons shall, at the Client's request, provide information on the variation in levels of commission payable by the different Regulated Persons providing the Credit Agreements relating to Residential Immovable Property being offered to the Client. Credit Intermediaries shall also inform Clients that they have the right to request such information.
- R.1.2.94 Where a Credit Intermediary charges a fee to the Client and additionally receives commission from the Regulated Person or a third party, the Credit Intermediary shall explain to the Client whether or not the commission will be offset against the fee, either in part or in full.
- R.1.2.95 Credit Intermediaries shall communicate to the Regulated Person the fee, if any, payable by the Client to the Credit Intermediary for its services, for the purpose of calculating the APRC.

Disclosures by Regulated Persons and Credit Intermediaries for Advisory Services

- R.1.2.96 The Regulated Person or Credit Intermediary shall explicitly inform the Client, in the context of a given transaction, whether Advisory Services are being or can be provided to the Client.
- R.1.2.97 Before the provision of Advisory Services or, where applicable, the conclusion of a contract for the provision of Advisory Services, the Regulated Person or Credit Intermediary shall provide the Client with the following Information on paper or another Durable Medium:

- a. whether the recommendation will be based on considering only their own product range in accordance with R.1.2.98(b) or a wide range of products from across the market in accordance with R.1.2.98(c) so that the consumer can understand the basis on which the recommendation is made;
 - b. where applicable, the fee payable by the consumer for the Advisory Services or, where the amount cannot be ascertained at the time of disclosure, the method used for its calculation:
- provided that the Information referred to in paragraphs (a) and (b) may be provided to the consumer in the form of additional pre-contractual Information.

R.1.2.98

Where Advisory Services are provided to Clients:

- a. Regulated Persons or Credit Intermediaries shall obtain the necessary information regarding the Clients' personal and financial situation, their preferences and objectives so as to enable the recommendation of suitable Credit Agreements relating to Residential Immovable Property. Such an assessment shall be based on information that is up to date at that moment in time and shall take into account reasonable assumptions as to risks to the Client's situation over the term of the proposed Credit Agreement relating to Residential Immovable Property;
- b. Regulated Persons or Tied Credit Intermediaries shall consider a sufficiently large number of Credit Agreements relating to Residential Immovable Property in their product range and recommend a suitable or several suitable Credit Agreements relating to Residential Immovable Property from among their product range for the Client's needs, financial situation and personal circumstances;
- c. non-Tied Credit Intermediaries shall consider a sufficiently large number of Credit Agreements relating to Residential Immovable Property available on the market and recommend a suitable or several suitable Credit Agreements relating to Residential Immovable Property available on the market for the Client's needs, financial situation and personal circumstances;
- d. Regulated Persons and Credit Intermediaries shall act in the best interests of the Client by:
 - i. informing themselves about the Client's needs and circumstances; and
 - ii. recommending suitable Credit Agreements relating to Residential Immovable Property in accordance with paragraphs (a), (b) and (c); and
- e. Regulated Persons or Credit Intermediaries shall give the Client a record on paper or on another Durable Medium of the recommendation provided.

- R.1.2.99 The use of the term 'advice' and 'advisor' or similar terms shall be prohibited when the Advisory Services are being provided to Clients by Regulated Persons or Tied Credit Intermediaries.
- R.1.2.100 Regulated Persons and Credit Intermediaries shall warn a Client when, considering the Client's financial situation, a Credit Agreement relating to Residential Immovable Property may include a specific risk for the Client.
- R.1.2.101 Advisory Services shall only be provided by Regulated Persons or Credit Intermediaries.
- R.1.2.102 Rules R.1.2.96 to R.1.2.101 are without prejudice to R.1.2.88 and R.1.2.89 and any other provisions contained in the MCD Regulations⁴ and in this Rulebook which serve to ensure that services are made available to Clients to help them understand their financial needs and which types of Retail Products are likely to meet those needs.

Disclosures relating to the Credit Agreement

- R.1.2.103 Without prejudice to Rules R.1.2.81 to R.1.2.95, the Regulated Person and the Credit Intermediary shall ensure that the Client is entitled to receive, free of charge, a copy of the draft Credit Agreement relating to Residential Immovable Property:

Provided that this Rule shall not apply if the Regulated Persons is, at the time of the Client's request, unwilling to proceed to the conclusion of the Credit Agreement relating to Residential Immovable Property with the Client.

- R.1.2.104 The Credit Agreement relating to Residential Immovable Property shall be drawn up in writing or on a Durable Medium, and shall specify as much as possible, in a plain and intelligible language that can be easily understood by the Client, the following:
- a. the information listed under Rule R.1.2.91(c), (d), (f), (h) to (l), and (n);
 - b. the identities and geographical addresses of the contracting parties as well as, if applicable, the identity and geographical address of the Credit Intermediary involved;
 - c. the APRC and the total amount payable by the Client calculated at the time the Credit Agreement relating to Residential Immovable

⁴ As stated in the Consultation Document, the MFSA supervision and powers will be expressly formalised through the issue (in due course) of relevant Maltese Subsidiary Legislation, as deemed necessary for the MFSA to assume the relevant supervisory remit. Therefore, for the purposes of Credit Institutions, this reference will (be substituted with a reference to Maltese subsidiary legislation to be issued under the Banking Act (Chapter 371 of the Laws of Malta).

- Property is concluded, provided that all the assumptions used in calculating that rate shall be mentioned;
- d. the right of the Client to receive, on request and free of charge, at any time throughout the duration of the credit, a statement of account in the form of an amortisation table, provided that the amortisation table shall:
 - i. indicate the payments owing and the periods and conditions relating to the payment of such amounts;
 - ii. contain a breakdown of each repayment showing capital amortisation, the interest calculated on the basis of the borrowing rate and where applicable any additional costs;
 - iii. where the interest is not fixed or the additional costs may be changed under the Credit Agreement relating to Residential Immovable Property, it shall indicate clearly and concisely that the data contained in the table will remain valid only until such time as the borrowing rate or the additional costs are changed in accordance with the Credit Agreement relating to Residential Immovable Property;
 - e. if charges and interest are to be paid without capital amortisation, a statement showing the periods and conditions for the payment of the interest and of any associated recurrent and non-recurrent charges;
 - f. the interest rate applicable in the case of late payments as applicable at the time of the conclusion of the Credit Agreement relating to Residential Immovable Property and the arrangement for its adjustment and, where applicable, any charges payable for default;
 - g. the procedure to be followed in exercising the right of termination of the Credit Agreement relating to Residential Immovable Property;
 - h. information concerning the Client's right to discharge their obligations under a Credit Agreement relating to Residential Immovable Property, in full or in part, before the agreed termination, and the conditions attached to that right as prescribed within R.5.9.210 to R.5.9.213;
 - i. whether or not there is an out-of-court procedure for the Client to make a complaint, the redress mechanism available and the methods for having access to it;
 - j. where applicable, other contractual terms and conditions.

- R.1.2.105** In the event of any changes in the borrowing rate that would negatively impact the Client, the Regulated Person shall inform the Client of any such change, on paper or another durable medium, before the change takes effect, provided that such information shall at least state:
- a. the amount of the payments to be made after the new borrowing rate takes effect; and
 - b. in cases where the number or frequency of the payments changes, provide the Client with particulars of such payment changes.

In case of a change in the Regulated Person's base rate which ultimately affects the final and effective borrowing rate leading to a negative impact on the Client, the notice period should be at least 30 days. Personalised information to Clients should include information about any changes to the repayment amount or changes to the term of the Credit Agreement relating to Residential Immovable Property.

Should the change in the borrowing rate result in a positive impact on the Client, the Regulated Person may apply such change without prior notice to the Client.

- R.1.2.106 Notwithstanding the requirements under R.1.2.105, the parties to the Credit Agreement relating to Residential Immovable Property may agree in the said Credit Agreement that:
- a. where the change in the borrowing rate is correlated with a change in a reference rate (for example, Euribor), the information referred to in R.1.2.105 is to be given to the Client periodically;
 - b. the new reference rate is to be made publicly available by appropriate means, which may include a publication on the Regulated Person's website or a public advert; and
 - c. the information concerning the new reference rate is to be kept available in the premises of the Regulated Person and communicated personally to the Client together with the amount of new periodic instalments.
- R.1.2.107 Where changes in the borrowing rate are determined by way of auction on the capital markets and it is therefore impossible for the Regulated Person to inform the Client of any change before the change takes effect, the Regulated Person shall, in good time before the auction, inform the Client on paper or on another durable medium of the upcoming procedure and provide an indication of how the borrowing rate could be affected.
- R.1.2.108 The Regulated Person shall make available to the Client, free of charge and at any time throughout the duration of the home loan, a statement of account in the form of an amortisation table.
- R.1.2.109 Every public deed of loan to which the rules under this Section apply, shall make a direct reference to the Credit Agreement relating to Residential Immovable Property entered into and between the Regulated Person and, or the Credit Intermediary and the Client, the date thereof and shall state expressly that the Client has received, read, understood and agreed to all the terms set out in the Credit Agreement relating to Residential Immovable Property, after due explanation by the Regulated Person and, or the Credit Intermediary, as may be amended from time to time according to the terms thereof.

- R.1.2.110 Without prejudice to other obligations provided for in the Chapters of this Rulebook, Regulated Persons shall ensure that prior to modifying the terms and conditions of the Credit Agreement relating to Residential Immovable Property, the Regulated Person communicates the following information to the Client:
- a. clear description of the proposed changes and, where applicable, of the need for the Client's consent or of the changes introduced by operation of law;
 - b. the time-period for the implementation of the changes referred to in paragraph (a);
 - c. the means for complaint available to the Client regarding the changes referred to in paragraph (a);
 - d. the time-period available for lodging any such complaint; and
 - e. the name and address of the Arbiter for Financial Services as established under the [Arbiter for Financial Services Act](#), before whom the Client may submit the said complaint.
- R.1.2.111 Where the Credit Agreement relating to Residential Immovable Property is a variable rate credit, the Regulated Person shall ensure that:
- a. any indexes or reference rates (for example, Euribor) used to calculate the borrowing rate are clear, accessible, objective and verifiable by the parties to the Credit Agreement relating to Residential Immovable Property and the MFSA; and
 - b. historical records of indexes for calculating the borrowing rates are maintained by the Regulated Person.

Section 3: Disclosure Requirements for Clients entering into Consumer Credit Agreements

Applicability

- R.1.3.112 In addition to the applicability of Section 1 of this Chapter, the Rules and Guidance under this Section shall solely apply to Consumer Credit Agreements as defined in the Glossary of Definitions to this Rulebook.

General Requirements

- R.1.3.113 For the purpose of this Section, unless otherwise provided, the obligations of the Regulated Person shall equally apply to a Credit

Intermediary where a Credit Intermediary presents or offers Consumer Credit Agreements to Clients, assists Clients by undertaking preparatory work in respect of Consumer Credit Agreements, or concludes Consumer Credit Agreements with Clients on behalf of the Regulated Person.

- R.1.3.114 Where a Credit Intermediary presents or offers Consumer Credit Agreements to Clients, assists Clients by undertaking preparatory work in respect of Consumer Credit Agreements, or concludes Consumer Credit Agreements with Clients on behalf of the Regulated Person, it shall:
- a. indicate in any advertising and documentation intended for Clients the extent of the Credit Intermediary's powers, in particular whether the Credit Intermediary works exclusively with one or more Regulated Person or as an independent intermediary;
 - b. disclose the fee, if any, payable by the Client for its services, which fee shall be agreed in writing or on a Durable Medium between the Client and the Credit Intermediary before the conclusion of the Consumer Credit Agreement; and
 - c. disclose the fee, if any, payable by the Client to the Credit Intermediary for its services to the Regulated Person for the purpose of calculating the APRC.
- R.1.3.115 This Rule has been deleted.
- R.1.3.116 The Regulated Person and, where applicable, the credit intermediary shall provide the client with clear and comprehensible pre-contractual information needed to compare different offers in order to take an informed decision on whether to conclude a credit agreement on the basis of the credit terms and conditions offered by the Regulated Person and, where applicable, the preferences expressed and information supplied by the client. Such precontractual information shall be provided to the client in good time before the client is bound by any credit agreement or offer, including where means of distance communication as defined in the Distance Selling (Retail Financial Services) Regulations as may be amended from time to time
- R.1.3.116A In the event that the pre-contractual information referred to R.1.3.116 is provided less than one day before the client is bound by the credit agreement or offer, the Regulated Person and, where applicable, the credit intermediary shall send a reminder to the client of the possibility to withdraw from the credit agreement and of the procedure to follow for withdrawing, in accordance with Rules R.5.8.190 to R.5.8.195 (concerning Right of Withdrawal). That reminder shall be provided to the client, on paper or on another durable medium chosen by the client and specified in the credit agreement, between one and seven days after the conclusion of the credit agreement or, where applicable, the submission of the binding credit offer by the client.

R.1.3.117

Regulated Persons and, where applicable, credit intermediaries are required to provide adequate explanations to the client on the proposed credit agreements and any ancillary services that make it possible for the client to assess whether the proposed credit agreements and ancillary services are adapted to the client's needs and financial situation. Such explanations shall be provided free of charge and before concluding the credit agreement. The explanations shall include the following elements:

- a. the information referred to in the following rules: R.1.3.114, R.1.3.116, R.1.3.116A, R.1.3.118 to R.1.3.118B, R.1.3.119 to R.1.3.122A, R.1.3.115, and R.1.3.129 to R.1.3.134C;
- b. the essential characteristics of the credit agreement or of the ancillary services proposed;
- c. the specific effects that the credit agreement or the ancillary services proposed may have on the client, including the consequences of payment default or late payment by the client;
- d. where ancillary services are bundled with a credit agreement, whether each component of the bundle can be terminated separately and the implications for the client of such termination.

R.1.3.118

The pre-contractual information to be disclosed by a Regulated Person or Credit Intermediary to Clients under R.1.3.116 and R.1.3.116A, shall specify all of the following elements in a prominent way in the first part of the Standard European Consumer Credit Information form on one page:

- a. the identity of the Regulated Person and, where applicable, of the Consumer Credit Intermediary involved;
- b. the total amount of credit
- c. the duration of the Consumer Credit Agreement;
- d. in the case of credit in the form of deferred payment for specific goods or services and in the case of linked-credit agreements, the goods or services and their cash price;
- e. the borrowing rate, or all borrowing rates if different borrowing rates apply in different circumstances;
- f. the APRC and the total amount payable by the Client;

- g. the amount, number and frequency of payments to be made by the Client and where appropriate, the order in which payments will be allocated to different outstanding balances charged at different borrowing rates for the purpose of reimbursement;
- h. the costs in case of late payments, that is, the interest rate applicable in the case of late payments and the arrangements for its adjustment, and where applicable, any charges payable for default;
- i. a warning relating to the consequences of missing or late payments;
- j. the existence or absence of a right of withdrawal and, where applicable, the withdrawal period;
- k. the existence of a right of early repayment, and where applicable, information concerning the Regulated Person's to compensation;
- l. The geographical address, telephone number and email address of the creditor as well as, where applicable, the geographical address, telephone number and email address of the credit intermediary involved.

R.1.3.118A In the event that all the elements referred to in Rule 1.3.118 cannot be displayed in a prominent way on one page, they shall be displayed in the first part of the Standard European Consumer Credit Information form on two pages at most. In that case, the information referred to in points (a) to (g) of Rule 1.3.118 shall be displayed on the first page of the form.

R.1.3.118B The pre-contractual information referred to in Rule 1.3.116 and R.1.3.116A shall specify all of the following elements, which shall be displayed after and noticeably separated from the elements listed in R.1.3.118:

- a. the type of credit;
- b. the conditions governing the drawdown;
- c. where different borrowing rates apply in different circumstances, the conditions governing the application of each borrowing rate and, where available, any index or reference rate applicable to each initial borrowing rate, as well as the periods, conditions and procedures for changing each borrowing rate;

- d. where a credit agreement provides different ways of drawdown with different charges or borrowing rates and the creditor uses the assumption set out in Annex III, Part II, point (b), an indication that other drawdown mechanisms for the relevant type of credit agreement may result in higher annual percentage rates of charge;
- e. where applicable, the charges for maintaining one or more compulsory accounts recording both payment transactions and drawdowns, the charges for using a means of payment for both payment transactions and drawdowns, any other charges deriving from the credit agreement, and the conditions under which any of those charges may be changed;
- f. a representative example illustrating the annual percentage rate of charge and the total amount payable by the client, referring to all of the assumptions used in order to calculate that rate; where the client has informed the Regulated Person of one or more components of his or her preferred credit, such as the duration of the credit agreement and the total amount of credit, the Regulated Person shall take those components into account;
- g. where applicable, any costs payable by the client to a notary on conclusion of the credit agreement;
- h. the obligation, if any, to enter into an ancillary service contract relating to the credit agreement, where the conclusion of such a contract is compulsory in order to obtain the credit or to obtain it on the terms and conditions marketed;
- i. where applicable, the sureties required;
- j. where applicable, information concerning the way in which the Regulated Person's compensation will be determined in the event of early repayment;
- k. the client's right to be informed immediately and free of charge, pursuant to R.5.4.131B.2, of the result of a database consultation carried out for the purposes of assessing his or her creditworthiness;
- l. the client's right, as set out in R.1.3.122, to be supplied, on request on paper or on another durable medium and free of charge, with a copy of the draft credit agreement, provided that the Regulated Person, at the time of the request, is willing to proceed to the conclusion of the credit agreement;
- m. where applicable, an indication that the price was personalised on the basis of automated processing, including profiling;

- n. where applicable, the period of time during which the Regulated Person is bound by the pre-contractual information provided in accordance with this Sub-Section;
- o. the possibility for the client of having recourse to an out-of-court complaint and redress mechanism and the methods for having access to it;
- p. a warning and explanation regarding the legal and financial consequences of non-compliance with the other commitments linked to the specific credit agreement;
- q. a repayment schedule containing all payments and repayments over the duration of the credit agreement, including the payments and repayments for any ancillary services relating to the credit agreement which are sold simultaneously, whereby payments and repayments, in the event that different borrowing rates apply in different circumstances, are based on reasonable upward changes in the borrowing rate.

Where the credit agreement references a benchmark as defined in Article 3(1), point (3), of Regulation (EU) 2016/1011 of the European Parliament and of the Council (28), the name of that benchmark and of its administrator and potential implications of that benchmark for the client shall be specified in a separate document which may be annexed to the Standard European Consumer Credit Information form.

R.1.3.119 The Information under Rules R.1.3.116, R.1.3.116A and R.1.3.118 shall be provided on paper or on another durable medium chosen by the client by means of the Standard European Consumer Credit Information (SECCI) form contained in Annex IV to this Chapter:

Provided that the Regulated Person shall be deemed to have discharged the obligation of providing pre-contractual Information under this Rule and of providing Information under regulations 5(1) and 5(2) of the Distance Selling (Retail Financial Services) Regulations as may be amended from time to time, if the creditor has supplied the Information in the form contained in Annex IV to this Chapter.

R.1.3.120 Information displayed in the European Consumer Credit Information form shall be consistent. It shall be clearly legible and shall take into account the technical constraints of the medium on which it is displayed. Information shall be displayed in an adequate and suitable way on the different channels, taking into account interoperability.

Any additional information which the Regulated Person may provide to the client shall be clearly legible and given in a separate document,

which may be annexed to the Standard European Consumer Credit Information (SECCI) form.

- R.1.3.121 By way of derogation from R.1.3.118B, in the case of voice telephony communications as referred to in the relevant provisions of the Distance Selling (Retail Financial Services) Regulations as may be amended from time to time, the description of the main characteristics of the financial services to be provided pursuant to Distance Selling (Retail Financial Services) Regulations as may be amended from time to time, shall include at least the elements referred to in R.1.3.118. In such case, the Regulated Person and where applicable, the credit intermediary shall provide the client with the Standard European Consumer Credit Information form on a durable medium immediately after the conclusion of the credit agreement.
- R.1.3.122 Upon request from the client, the Regulated Person and, where applicable, the credit intermediary shall, in addition to the Standard European Consumer Credit Information form, provide the client free of charge with a copy of the draft credit agreement on paper or on another durable medium, provided that the Regulated Person, at the time of the request, is willing to proceed to the conclusion of the credit agreement with the client.
- R.1.3.122.A In the case of a credit agreement under which payments made by the consumer do not give rise to an immediate corresponding amortisation of the total amount of credit, but are used to constitute capital during periods and under conditions laid down in the credit agreement, or in an ancillary agreement, the Regulated Person and, where applicable, the credit intermediary shall in the pre-contractual information referred to in R.1.3.116 and R.1.3.116A include a clear and concise statement that such credit agreements do not provide for a guarantee of repayment of the total amount of credit drawn down under the credit agreement, unless such a guarantee is given expressly.
- R.1.3.122B Without prejudice to Regulation (EU) 2016/679 General Data Protection Regulation and the Data Protection Act, Regulated Persons shall inform clients in a clear and comprehensible manner when Customers are presented with a personalised offer that is based on automated processing of personal data.
- R.1.3.122C Any granting of credit to Clients without their prior request and explicit agreement shall be prohibited.

Calculation of the Annual Percentage Rate of Charge (APRC) under the Consumer Credit Regulations

- R.1.3.123 The APRC, equating, on an annual basis, to the present value of all commitments (drawdowns, repayments and charges), future or existing, agreed by the Regulated Person and the Client, shall be calculated in accordance with the mathematical formula set out in Annex III to this Chapter.
- R.1.3.124 The following costs shall be included in the total cost of credit to the Client:
- a. the costs of maintaining an account recording both payment transactions and drawdowns;
 - b. the costs of using a means of payment for both payment transactions and drawdowns; and
 - c. other costs relating to payment transactions.
- R.1.3.125 The costs mentioned in R.1.3.124 shall not be included in the total cost of credit to the Client where the opening of the account is optional and the costs of the account have been clearly and separately shown in the Consumer Credit Agreement or in any other agreement concluded with the Client.
- R.1.3.126 For the purpose of calculating the APRC, the total cost of the credit to the Client shall be determined, with the exception of any charges payable by the Client for non-compliance with any of his commitments laid down in the Consumer Credit Agreement and charges other than the purchase price which, for purchases of goods or services, he is obliged to pay whether the transaction is effected in cash or on credit.
- R.1.3.127 The calculation of the APRC shall be based on the assumption that:
- a. the Consumer Credit Agreement is to remain valid for the period agreed and that the Regulated Person and the Client will fulfil their obligations under the terms and by the dates specified in the Consumer Credit Agreement; and
 - b. the borrowing rate and other charges will remain fixed in relation to the initial level and will remain applicable until the end of the Consumer Credit Agreement in the circumstance that the Consumer Credit Agreement contains a clause allowing variations in the borrowing rate and, where applicable, charges contained in the APRC but unquantifiable at the time of calculation.
- R.1.3.128 Where necessary the additional assumptions set out in Annex III to this Chapter may be used in calculating the APRC.

It is also to be noted also that an [APRC simulator](#) was published by the European Commission to assist users to calculate the APRC of a given

credit. The simulator tool contains an option to select the type of credit and is accompanied by a report presenting examples and instructions on how to use the said tool.

Interest rate calculation for all types of Consumer Credit is to be calculated as per below methodology. When an interval between dates used in the calculation cannot be expressed as a whole number of years, months or weeks, the interval shall be expressed as a whole number of one of these periods in combination with a number of days. For the choice among years, months or weeks, consideration shall be given to the frequency of drawdowns and payments. When using days:

- a. Every day shall be counted, including weekends and holidays;
- b. Equal periods and then days shall be counted backwards to the date of the initial drawdown; and
- c. The length of a period of days shall be obtained excluding the first day and including the last day (simple subtraction of dates), and shall be expressed in years by dividing this period by the number of days (365 or 366 days) of the complete year counted backwards from the last day to the same day of the previous year; and
- d. One month is presumed to have 30.41666 days (365/12) regardless of whether or not it is a leap year.

R.1.3.128A A Regulated Person offering consumer credit agreements within Malta, shall ensure that the relevant APRC shall not exceed 16%.

Provided that the maximum annual percentage rate of charge may be revised at the discretion of the Malta Financial Services Authority.

Provided further that, where the Regulated Person provides consumer credit agreements outside Malta, in the exercise of a European right in terms of the European Passport Rights for Credit Institutions Regulations (S.L.371.11), that Regulated Person shall abide by the applicable limits on the APRC, set by the respective Member State in line with Article 31 of 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.

Pre-contractual Information relating to Consumer Credit Agreements in respect of Deferred Payments

- R.1.3.129 The Rules under this sub-heading shall solely apply to Consumer Credit Agreements qualifying as Credit Agreements which provide for arrangements to be agreed by the Regulated Person and the Client in respect of deferred payments or repayment methods, where the Client is already in default or is likely to default on the initial Credit Agreement and where the following conditions are fulfilled:
- a. such arrangement is likely to avert the possibility of legal proceedings concerning the default of the client; and
 - b. the Client would not, by entering into the arrangement, be subject to terms less favourable than those laid down in the initial Credit Agreement.
- R.1.3.130 For consumer credit agreements referred to in R.1.3.129, the pre-contractual information referred to in R.1.3.116 and R.1.3.116A shall, by way of derogation from R.1.3.119, be provided on paper or on another durable medium chosen by the client by means of the European Consumer Credit Information form set out in Annex V. That information shall be clear and comprehensible. All information provided in that form shall be equally prominent. The Regulated Person shall be deemed to have fulfilled the information requirements laid down in this paragraph and the requirements found in the relative provisions of the Distance Selling (Retail Financial Services) Regulations as may be amended from time to time, if the Regulated Person has supplied that form.
- R.1.3.131 For consumer credit agreements referred to in R.1.3.129, the pre-contractual information referred to in R.1.3.116 and R.1.3.116A shall, by way of derogation from R.1.3.118 specify all of the following, in a prominent way in the first part of the European Consumer Credit Information form on one page:
- a. the identity of the Regulated Person as well as, where applicable, of the credit intermediary involved;
 - b. the total amount of credit;
 - c. the duration of the credit agreement;
 - d. the borrowing rate, or all borrowing rates if different borrowing rates apply in different circumstances;

- e. the annual percentage rate of charge and the total amount payable by the client;
- f. in the case of a credit in the form of deferred payment for specific goods or services and in the case of linked credit agreements, the specific goods or services and their cash price;
- g. the costs in the case of late payments, that is, the interest rate applicable in the case of late payments and the arrangements for its adjustment, and, where applicable, any charges payable for default;
- h. the amount, number and frequency of payments to be made by the client and, where appropriate, the order in which payments will be allocated to different outstanding balances charged at different borrowing rates for the purposes of reimbursement;
- i. warning regarding the consequences of missing or late payments;
- j. the existence or absence of a right of withdrawal;
- k. the existence of a right of early repayment, and, where applicable, information concerning the Regulated Person's right to compensation;
- l. the geographical address, telephone number and email address of the Regulated Person as well as, where applicable, the geographical address, telephone number and email address of the credit intermediary involved.

R.1.3.132 In the event that all the elements referred to in R.1.3.131 cannot be displayed in a prominent way on one page, they shall be displayed in the first part of the European Consumer Credit Information form on two pages at most. In that case, the information referred to in points (a) to (g) of R.1.3.131 shall be displayed on the first page of the form.

R.1.3.133 The pre-contractual information referred to in R.1.3.129 and R.1.3.130 shall specify all of the following elements, which shall be displayed after and noticeably separated from the elements listed in R.1.3.13:

- a. the type of credit;
- b. where different borrowing rates apply in different circumstances, the conditions governing the application of each borrowing rate, any index or reference rate applicable to the initial borrowing rate, the charges applicable from the time the credit agreement is

concluded, and, where applicable, the conditions under which those charges may be changed;

- c. a representative example illustrating the annual percentage rate of charge and the total amount payable by the client, referring to all of the assumptions used in order to calculate that rate;
- d. the conditions and procedure for terminating the credit agreement;
- e. where applicable, information concerning the way in which the Regulated Person's compensation will be determined in the event of early repayment;
- f. where applicable, an indication that the client may be requested to repay the amount of credit in full at any time;
- g. a reference to the client's right to be informed immediately and free of charge, pursuant to R.5.4.131B.2, of the result of a database consultation carried out for the purposes of assessing his or her creditworthiness;
- h. where applicable, an indication that the price was personalised on the basis of automated processing, including profiling;
- i. where applicable, the period of time during which the Regulated Person is bound by the pre-contractual information provided in accordance with this Sub-Section;
- j. a reference to the possibility for the client of having recourse to an out-of-court complaint and redress mechanism and the methods for having access to it;
- k. a warning and explanation regarding the legal and financial consequences of non-compliance with the other commitments linked to the specific credit agreement;
- l. a repayment schedule containing all payments and repayments over the duration of the credit agreement, including the payments and repayments for any ancillary services relating to the credit agreement which are sold simultaneously, whereby payments and repayments, in the event that different borrowing rates apply in different circumstances, are based on reasonable upward changes in the borrowing rate.

R.1.3.134 Information displayed in the European Consumer Credit Information form shall be consistent. It shall be clearly legible and shall take into

account the technical constraints of the medium on which it is displayed. Information shall be displayed in an adequate and suitable way on the different channels, taking into account interoperability.

- R.1.3.134A By way of derogation from R.1.3.133, in the case of voice telephony communications, as referred to in the relevant provisions of the Distance Selling (Retail Financial Services) Regulations as may be amended from time to time, the description of the main characteristics of the financial service to be provided pursuant to that Regulations shall include at least the elements referred to in R.1.3.131 In such case, the Regulated Person and, where applicable, the credit intermediary shall provide the client with the European Consumer Credit Information form on a durable medium immediately after the conclusion of the credit agreement.
- R.1.3.134B Upon request from the client, the Regulated Person and, where applicable, the credit intermediary shall, in addition to the European Consumer Credit Information form, provide the client with a copy of the draft credit agreement, provided that the Regulated Person, at the time of the request, is willing to proceed to the conclusion of the credit agreement with the client.
- R.1.3.134C This sub-section shall not apply to suppliers of goods or providers of services acting as credit intermediaries in an ancillary capacity. This is without prejudice to the Regulated Person's or, where applicable, the credit intermediary's obligation to ensure that the client receives the pre-contractual information referred to in this Sub-Section.

Clients' Right to receiving a copy of the Consumer Credit Agreement

- R.1.3.135 The Client shall be entitled to receive, free of charge, and upon request, a copy of the draft Consumer Credit Agreement.
- R.1.3.136 Rule R.1.3.135 does not apply if the Regulated Person is, at the time of the Client's request, unwilling to proceed to the conclusion of the Consumer Credit Agreement with the Client.
- R.1.3.137 Credit agreements and any modifications of such agreements shall be drawn up on paper or another durable medium and all contracting parties shall be provided with a copy of the credit agreement.

R.1.3.138 Information to be included in the Consumer Credit Agreement:

The Consumer Credit Agreement referred to in Rule R.1.3.137 shall specify, in a clear and concise manner, all of the following:

- a. the type of credit and a statement confirming that the credit agreement is subject to the provisions of the Consumer Credit Directive II;
- b. the identities and geographical addresses, telephone numbers and email addresses of the contracting parties as well as, if applicable, the identity and geographical address of the Credit Intermediary involved;
- c. the total amount of credit and the conditions governing the drawdown;
- d. the duration of the credit agreement;
- e. in the case of credit in the form of deferred payment for specific goods or services and in case of linked credit agreements, the specific goods or services and their cash price;
- f. the borrowing rate, or all borrowing rates where different borrowing rates apply in different circumstances, the conditions governing the application of each borrowing rate and, where available, any index or reference rate applicable to each initial borrowing rate, as well as the periods, conditions and procedures for changing each borrowing rate;
- g. the APRC and the total amount payable by the Client calculated at the time the Consumer Credit Agreement is concluded and an indication of all assumptions used in that calculation;
- h. the amount, number and frequency of payments to be made by the client and, where appropriate, the order in which payments will be allocated to different outstanding balances charged at different borrowing rates for the purposes of reimbursement;
- i. where capital amortisation of a Consumer Credit Agreement with a fixed duration is involved, the right of the Client to receive, on request and free of charge, at any time throughout the duration of the Consumer Credit Agreement, a statement of account in the form of an amortisation table.

The amortisation table shall:

- (i) indicate the payments owing and the periods and conditions relating to the payment of such amounts;
 - (ii) contain a breakdown of each repayment showing capital amortisation, the interest calculated on the basis of the borrowing rate and where applicable any additional costs;
 - (iii) where the borrowing rate is not fixed or the additional costs may be changed under the Consumer Credit Agreement, it shall indicate clearly and concisely that the data contained in the table will remain valid only until such time as the borrowing rate or the additional costs are changed in accordance with the Consumer Credit Agreement;
- j. where charges and interest are to be paid without capital amortisation, a statement showing the periods and conditions for the payment of the interest and of any associated recurrent and non-recurrent charges
- k. where applicable, the charges for maintaining one or more compulsory accounts recording both payment transactions and drawdowns, the charges for using a means of payment for both payment transactions and drawdowns, any other charges deriving from the credit agreement, and the conditions under which those charges may be changed;
- l. the interest rate applicable in the case of late payments as applicable at the time of the conclusion of the Consumer Credit Agreement and the arrangement for its adjustment and, where applicable, any charges payable for default;
- m. a warning regarding the consequences of missing or late payments;
- n. where applicable, a statement, that notarial fees will be payable;
- o. where applicable, the sureties and insurance required;
- p. the existence or absence of a right of withdrawal, the withdrawal period, where applicable, and other conditions governing the exercise thereof, including:
 - (i) the durable medium to be used for the notification referred to in R.5.8.192(a)
 - (ii) the information concerning the obligation of the consumer set out in R.5.8.192(b)
 - (iii) instruction to pay the capital drawdown and the interest
 - (iv) the amount of interest payable per day

- q. The type of durable medium on which the client chooses to receive the following:
 - (i) where applicable, the reminder referred to in R.1.3.116A
 - (ii) the information referred to in R.1.3.143;
 - (iii) the information on the change in the borrowing rate referred to in R.1.3.138(A)(1);
 - (iv) where applicable, the information referred to in R.1.3.144 (a) and (b); and
 - (v) where applicable, the information on the termination of an open-end credit agreement referred to in R.5.8.187 and R.5.8.188.
- r. where applicable, information concerning the rights in relation to linked credit agreements as set out in R.5.8.195(A) as well as the conditions for the exercise of those rights;
- s. A reference to the right of early repayment as set out in R.5.9.201 to R.5.9.207, the procedure for early repayment, as well as, where applicable, information concerning the Regulated Person's right to compensation and a transparent and comprehensible explanation how compensation due to the Regulated Persons by the Client is to be calculated.
- t. the procedure to be followed in exercising the right of termination of the Consumer Credit Agreement;
- u. the possibility of having recourse to an out-of-court complaint and the redress mechanism available for the Client and the methods for having access to it;
- v. where applicable, other contractual terms and conditions;
- w. the name and address of the competent supervisory authority;
- x. The relevant contact details of providers of debt advisory services and a recommendation for the consumer to contact such providers in the event of repayment difficulties.

The information referred to above shall be clearly legible and adapted to take into account the technical constraints of the medium on which it is displayed. Information shall be displayed in an adequate and suitable way on the different channels.

R.1.3.139 In the case of a Consumer Credit Agreement under which payments made by the Client do not give rise to an immediate corresponding amortisation of the total amount of credit, but are used to constitute capital during periods and under the conditions laid down in the

Consumer Credit Agreement or in an ancillary agreement, the Consumer Credit Agreement shall, in addition to the information contained in R.1.3.138 shall, include a clear and concise statement that such Credit Agreements do not provide a guarantee of repayment of the total amount of credit drawn down under the Consumer Credit Agreement, unless such a guarantee

R.1.3.140 When changing borrowing rates of existing consumer credit agreements, Regulated Persons shall inform the client of any change in the borrowing rate on paper or another durable medium specified in the credit agreement, in good time before the change enters into force.

The information referred to in the first subparagraph of this Rule, shall include the amount of the payments to be made after the entry into force of the new borrowing rate and, where the number or frequency of the payments changes, the particulars thereof.

R.1.3.141 By way of derogation from Rule R.1.3.140, the information referred to in that Rule may be given to the client periodically where all of the following conditions are fulfilled:

- a. the parties have agreed on such periodical information in the credit agreement;
- b. the change in the borrowing rate is caused by a change in a reference rate;
- c. the new reference rate is made publicly available in a timely manner by appropriate means;
- d. the information concerning the new reference rate is also available:
 - (i) at the premises of the Regulated Person;
 - (ii) where the creditor has a website, on that website; and
 - (iii) where the Regulated Person has a mobile application, via that mobile application.

R.1.3.142 Regulated Persons shall ensure that the conditions to be fulfilled for being granted a credit do not discriminate against clients legally resident in the European Union on ground of their nationality or place of residence or on any ground as referred to in Article 21 of the Charter of Fundamental Rights of the European Union, when those clients request, conclude or hold a credit agreement within the European Union.

The first paragraph of this Rule shall be without prejudice to the possibility of offering different conditions of access to a credit where those different conditions are duly justified by objective criteria.

R.1.3.143 Without prejudice to other obligations provided for in the Chapters of this Rulebook, Regulated Persons shall ensure that prior to modifying the terms and conditions of the Consumer Credit Agreement, the Regulated Person communicates the following information to the Client:

- a. clear description of the proposed changes and, where applicable, of the need for the Client's consent or of the changes introduced by operation of law;
- b. the time-period for the implementation of the changes referred to in paragraph (a);
- c. the means for complaint available to the Client regarding the changes referred to in paragraph (a);
- d. the time-period available for lodging any such complaint; and
- e. the name and address of the Arbiter for Financial Services as established under the [Arbiter for Financial Services Act](#), before whom the Client may submit the said complaint.

R.1.3.144 Where the Consumer Credit Agreement covers credit in the form of an overdraft facility, the Regulated Person shall, throughout the duration of the credit agreement, keep the client regularly informed at least once a month, informed by means of a statement of account, on paper or another durable medium specified in the credit agreement, containing the following elements:

- a. the precise period to which the statement of account relates;
- b. the amounts and dates of drawdowns;
- c. the balance from the previous statement and the date thereof;
- d. the new balance;
- e. the dates and amounts of payments made by the Client;
- f. the borrowing rate applied;
- g. any charges that have been applied; and
- h. where applicable, the minimum amount to be paid;

R.1.3.144A.1 Where the Consumer Credit Agreement covers credit in the form of an overdraft facility, the Regulated Person shall inform the client, on paper or another durable medium specified in the credit agreement, of increases in the borrowing rate or in any charges payable, in good time before the change in question enters into force;

Provided that, the parties may agree in the Consumer Credit Agreement that the information concerning increase in the borrowing rate or in any charges payable, may be given periodically in the manner referred to in R.1.3.144 where the following conditions are fulfilled:

- a. the parties have agreed on such periodical information in the credit agreement
- b. the change in the borrowing rate is caused by a change in the reference rate (for example, Euribor),
- c. the new reference rate is made publicly available by appropriate means, which may include a publication on the Regulated Person's website or a public advert, and
- d. the Information concerning the new reference rate is also available:
 - (i) at the premises of the Regulated Person;
 - (ii) where the creditor has a website, on that website; and
 - (iii) where the creditor has a mobile application, via that mobile application

R.1.3.144A.2 Regulated Persons shall notify the client in an agreed manner of each reduction or cancellation of the overdraft facility at least 30 days prior to the day when the actual reduction or cancellation of the overdraft facility takes effect.

R.1.3.144A.3 Where the overdraft facility is reduced or cancelled, the Regulated Persons shall offer the client, before the enforcement proceedings have been initiated, at no additional cost, the possibility to repay the amount actually drawn down to the extent of that reduction or cancellation. Such a repayment shall be made in twelve (12) equal monthly instalments unless the client chooses to repay earlier, at the borrowing rate applicable to the overdraft facility.

R.1.3.145 Where R.1.3.138(i) applies, the Regulated Person shall make available to the consumer, free of charge and at any time throughout the duration of the Consumer Credit Agreement, a statement of account in the form of an amortisation table.

Other Disclosures relating to Overrunning

R.1.3.146 Where a Client enters into a Consumer Credit Agreement to open a current account and the Client is allowed an overrun, the Consumer Credit Agreement shall contain in addition Information relating to:

- a. the borrowing rate;
- b. the conditions governing the application of that rate;
- c. the index or reference rate applicable to the initial borrowing rate (for example, Euribor);
- d. the charges applicable from the time the Consumer Credit Agreement is concluded; and
- e. the conditions under which those charges may be changed, if applicable.

- R.1.3.147 In the event of a significant overrunning exceeding a period of one month, the Regulated Person shall inform the Client without delay of the overrunning in writing or on a Durable Medium chosen by the client and specified in the agreement of the amount involved, the borrowing rate and, of any penalties, charges or interest on arrears which are applicable and the repayment date
- In addition, in the case of regular overrunning, the Regulated Person shall offer the client advisory services, where available, and redirect the client at no cost towards debt advisory services.
- R.1.3.148 The agreement under R.1.3.146 shall be in writing or on a Durable Medium chosen by the Client and specified in the agreement to open a current account, and provided on a regular basis.
- R.1.3.148A.1 Regulated Persons shall notify the client in an agreed manner when the overrunning is not allowed anymore or the limit of the overrunning is reduced, at least 30 days prior to the day when the actual cancellation or reduction of the overrunning takes effect.
- R.1.3.148A.2 Where the overrunning is reduced or cancelled, the Regulated Person shall offer the client, before the enforcement proceedings have been initiated, at no additional cost, the possibility to repay the amount actually drawn down to the extent of that reduction or cancellation. Such a repayment shall be made in 12 equal monthly instalments unless the consumer chooses to repay earlier, at the borrowing rate applicable to the overrunning.
- R.1.3.148A.3 Rules R.1.3.146 to R.1.3.148A.2 shall be without prejudice to Maltese legislation requiring the Regulated Person to offer another kind of credit product when the duration of the overrunning is significant.

Advisory Services

- R.1.3.148B.1 The Regulated Person and, where applicable, the credit intermediary shall explicitly inform the Client, in the context of a given transaction, whether advisory services are being or can be provided to the client.
- R.1.3.148B.2 Prior to the provision of advisory services or the conclusion of a contract for the provision of such services, the Regulated Person and, where applicable, the credit intermediary, shall provide the client with the following information on paper or another durable medium chosen by the client:

- a. an indication of whether the recommendation will be based on only their own product range or on a wide range of products from across the market in accordance with R.1.3.148B.3 (c) below;
- b. where applicable, an indication of the fee payable by the client for the advisory services or, where the amount of such fee cannot be established at the time when the information is provided, the method used for its calculation.

The information referred to in the first subparagraph of this Rule may be provided to the client in the form of additional pre-contractual information which shall be clearly legible and given in a separate document, which may be annexed to the Standard European Consumer Credit Information (SECCI) form as found in Annex IV of this Rulebook.

R.1.3.148B.3 Where advisory services are provided to clients, Regulated Persons and, where applicable, credit intermediaries shall:

- a. obtain the necessary information regarding the client's financial situation, preferences and objectives related to the credit agreement, in order for the Regulated Person or the credit intermediary to recommend credit agreements that are suitable to the client;
- b. assess the financial situation and the needs of the client on the basis of the information referred to in point (a), which shall be up to date at the time of the assessment, taking into account reasonable assumptions as to the risks to the client's financial situation over the term of the recommended credit agreement;
- c. consider a sufficiently large number of credit agreements in their product range and on that basis recommend one or more credit agreements from among that product range that are suitable to the client's needs, financial situation and personal circumstances;
- d. act in the best interests of the client; and
- e. give the client a record of the recommendation provided, on paper or on another durable medium chosen by the client and specified in the contract for the provision of advisory services.

R.1.3.148B.4 The use of the term 'advice' and 'advisor' or similar terms shall be prohibited when the Advisory Services are being provided to Clients by Regulated Persons or where applicable, Credit Intermediaries.

- R.1.3.148B.5 Regulated Persons and, where applicable, credit intermediaries shall warn a client when a credit agreement may induce a specific risk for the client considering the clients financial situation.
- R.1.3.148B.6 Advisory services may only be provided by Regulated Persons and, where applicable, credit intermediaries.

Section 4: Rules applicable to Regulated Persons offering Payment Accounts

Applicability

- R.1.4.149 In addition to the applicability of Section 1 of this Chapter, the Rules under this section shall only apply to Payment Accounts through which Clients are able at least to:
- a. place funds in a Payment Account;
 - b. withdraw cash from a Payment Account; and
 - c. execute and receive payment transactions, including credit transfers, to and from a third party.
- G.1.4.17 *By way of clarification to R.1.4.149 the most Representative Services linked to a Payment Account should relate to the Member State where the Retail Product or Service is being sold-*

General Requirements

- R.1.4.150 A Regulated Person shall make available to Clients a glossary of at least the standardised terms set out in the list of the most representative services linked to a Payment Account (Annex VI), as issued and periodically updated by the MFSA.
- R.1.4.151 The glossary shall be available in English or Maltese or any other language as agreed upon with the Client.
- R.1.4.152 The glossary, including other definitions, if any, shall be made available in clear, unambiguous and non-technical language and shall not be misleading.
- R.1.4.153 A Regulated Person shall ensure that the Fee Information Document and the glossary are:
- a. made available to Clients at any time;

- b. provided in an easily accessible manner, including to the general public:
 - i. in electronic form on the Regulated Person's websites, where available; and
 - ii. made accessible to Clients in the premises of the Regulated Person.

R.1.4.154 Upon request by the Client, the Regulated Person shall provide the glossary on paper or other Durable Medium free of charge.

R.1.4.155 Where a Regulated Person does not offer a service appearing in the list of the most representative services linked to a Payment Account (Annex VII), it should indicate this by, for example, marking the service as 'not offered' or 'not applicable'.

Pre-Contractual Disclosures

Fee Information Document

R.1.4.156 Without prejudice to Article 52(3) of [Directive \(EU\) 2015/2366](#) and Articles 4 to 8 of [Directive 2008/48/EC](#) and as implemented and laid down in the Maltese laws transposing these Directives, a Regulated Person shall, in good time before entering into a contract for a Payment Account with a Client, provide the Client with a Fee Information Document, the content and presentation format of which will be ensured by the same Regulated Person to be in accordance with the [Commission Implementing Regulation \(EU\) 2018/ 34](#), as implemented within this Chapter.

R.1.4.157 Regulated Persons shall utilise the standardised template for the Fee Information Document indicated in Annex VII.

R.1.4.158 A Regulated Person shall ensure that the Fee Information Document is:

- a. made available to Clients at any time;
- b. provided in an easily accessible manner, including to the general public:
 - i. in electronic form on the Regulated Person's websites
 - ii. made accessible to Clients in the premises of the Regulated Person.

R.1.4.159 Upon request by the Client, the Regulated Person shall provide the Fee Information Document on paper or other Durable Medium free of charge.

- R.1.4.160 The Regulated Person must ensure that:
- The Fee Information Document uses the standardised terms contained in the list of the most representative services linked to a Payment Account, as issued and periodically updated by the MFSA.
 - Where the Regulated Person offers any service featured in the list of the most representative services linked to a Payment Account (Annex VI), the corresponding fee for that service shall also be quoted in the Fee Information Document.
 - The Fee Information Document shall also include a list of penalties which may be incurred by the Client for the use of a Payment Account.
- R.1.4.161 A Regulated Person shall provide a separate Fee Information Document in respect of each Payment Account it offers to Clients.
- R.1.4.162 Notwithstanding the provision of a Payment Account with basic features referred to in Part 4 of the [Credit Institutions and Financial Institutions \(Payment Accounts\) Regulations](#), where a Regulated Person offers only one Payment Account to Clients that can be combined with different packages of services referred to in Schedule I paragraph (3) of the [Credit Institutions and Financial Institutions \(Payment Accounts\) Regulations](#), the Regulated Person may produce more than one Fee Information Document in respect of that account, provided that each Fee Information Document contains at least one package.
- R.1.4.163 Where one or more services are offered as part of a package of services linked to a Payment Account, the Fee Information Document shall disclose:
- the fee for the entire package;
 - the services included in the package and their quantity; and
 - the additional fee for any service that exceeds the quantity covered by the package fee.
- G.1.4.18 *In order to allow Clients to choose the most suitable account offer for their needs, while still ensuring a high level of standardisation, Regulated Persons may produce more than one Fee Information Document in respect of that Payment Account, provided that at least one package is included in each Fee Information Document.*
- G.1.4.19 *If services that exceed the quantity covered by a package are not included in the list of the most representative services linked to a Payment Account (Annex VI) and therefore, are not displayed in the Fee Information Document, they should be shown in a separate table and not combined with Information on the content of the packages, in order to give Clients a clear overview of the package.*

- R.1.4.164 The Fee Information Document shall:
- a. upon request by the Client, be provided on paper or another Durable Medium;
 - b. be a short and stand-alone document;
 - c. be presented and laid out in a way that is clear and easy to read using characters of a reasonable size;
 - d. be no less comprehensible in the event that, having been originally produced in colour, it is printed or photocopied in black and white;
 - e. be written in English or, if requested by the Client, in Maltese or, in any other language agreed upon by the Client and the Regulated Person;
 - f. be accurate, not misleading, and expressed in the currency of the Payment Account or, if agreed by the Client and the Regulated Person, in another currency of the European Union;
 - g. contain the title "Fee Information Document" at the top of the first page next to the common symbol (as presented in Annex VII) to distinguish the Fee Information Document from other documentation; and
 - h. include a statement that it contains fees for the most representative services linked to a Payment Account, any penalties which may be incurred for the use of the Payment Account, and that complete pre-contractual and contractual Information on all the services is provided in other documents.
- R.1.4.165 Moreover, Regulated Persons shall ensure that the Fee Information Document template in Annex VII is presented in line with the following rules:
- a. The Fee Information Document shall:
 - i. be presented in A4 portrait format;
 - ii. contain the title 'Fee Information Document' at the top of the first page, with the title centred and positioned between the logo of the Regulated Person at the top left-hand side of the document and the common symbol at the top right-hand side of the document;
 - iii. contain the common symbol of the size 2,5 cm × 2,5 cm and displayed as shown in the template laid down in Annex VII;
 - iv. use font type Arial or another font type similar to Arial and font size 11, with exceptions for the title 'Fee Information Document', which uses font size 16 in bold type; font size 14 in bold type for the headings, and font size 12 in bold for the sub-headings, unless an increase in the font size or use of braille font type for visually impaired persons is either required or agreed between the Client and the Regulated Person;

- v. be produced in black and white, with exception of the logo of the Regulated Person and the common symbol which may be presented in colour;
 - vi. contain the headings in semi-dark grey using the colour pattern with reference number 166,166,166 of the RGB colour model and the sub-headings in light-grey colour using the colour pattern with reference number 191,191,191 of the RGB colour model; and
 - vii. have its pages numbered.
- b. Where the common symbol is displayed in colour it shall follow the colour pattern with reference number 0/51/153 (hexadecimal: 003399) of the RGB colour model for the background and colour pattern 255/204/0 (hexadecimal: FFCC00) of the RGB colour model for the symbol.
 - c. The logo of the Regulated Person shall be of an equivalent size to the size of the common symbol.
 - d. The logo may only be displayed in colour if the common symbol is also displayed in colour. Where printed in black and white the common symbol shall be clearly readable.
 - e. The name of the Regulated Person that provides the account shall be included in bold type and left aligned.
 - f. The name of the account shall be included in bold type, left aligned and below the name of the Regulated Person.
 - g. The date when the Regulated Person last updated the Fee Information Document shall be included, using the font type Arial or another font similar to Arial and font size 11, left aligned and included below the account name.
 - h. The text of the introductory statement specified in the Annex VII template shall be reproduced in the Fee Information Document, using line spacing 1,15, 0 pt before and 10 pt after the text.
 - i. Regulated Persons shall replace the square brackets with the names of the relevant pre-contractual and contractual documents.

- R.1.4.166 When completing the 'Services and Fee' table, as specified in the Fee Information Document template in Annex VII, Regulated Persons shall list the services that are included in the list of the most representative services linked to a Payment Account (Annex VI), where the Regulated Person offers such services, and their corresponding fees in the table on services and fees as follows:
- a. the services shall be inserted in the column 'Service', left aligned, in bold type;
 - b. each service shall be listed only once and shall be displayed under the respective sub-heading shown in the table, such as the provision or the maintenance of the account shall be listed under sub-heading 'General account services';

- c. the fees corresponding to the services shall be shown in the column 'Fee', right aligned;
- d. where the fee is charged with regular frequency rather than on a per use basis, the frequency shall be indicated in the column 'Fee', left aligned, followed by the corresponding fee for that period, right aligned; the total annual fee shall be disclosed on the line directly underneath the frequency, in bold type, left aligned and using the wording 'Total annual fee' with the corresponding fee right aligned;
- e. the line spacing shall be single, 0 pt before and 0 pt after each service and fee;

In addition, it must also be ensured that:

- a. Where none of the services offered by the Regulated Person correspond to a sub-heading included in the template under Annex VII, the entire row related to that sub-heading shall be deleted, including the title of the sub-heading;
- b. Where Regulated Persons do not offer one or more services from the list of the most representative services linked to a Payment Account, or where the service is not made available with the account, the phrase 'service not available' shall be used;
- c. Where separate fees are charged in one or more of the following ways, Regulated Persons shall provide, in the column 'Fee' of that service and on a separate line, a description of each fee-charging instance, channel or condition ('types of fees'):
 - i. for different fee-charging instances of the provision of the same service, such as an initial set-up fee and subsequent execution fees for the same service;
 - ii. for different channels through which the same service is requested, used or provided, such as by phone, Branch or online;
 - iii. depending on whether a specific condition for the same service is met, such as adherence to a minimum or maximum threshold amount for credit transfers or cash withdrawals.

The description shall be left aligned and the fee shall be right aligned;

- d. Where fees are charged dependent on a combination of several types of fees, such as fees that differ by channel and are then further separated depending on whether a threshold amount is met, Regulated Persons shall, in addition to applying the above, right align the description of each additional type of fee.

R.1.4.167 With respect to packages of services linked to a Payment Account which are charged as part of the fees under the sub-heading 'General account services' as indicated in the template under Annex VII:

- a. All services included in the package, regardless of whether they are included in the final list of the most representative services linked to a Payment Account (Annex VI), shall be listed in the section of the table on general account service, in the row on package of services;
- b. Regulated Persons shall include Information on the additional fee for any service that exceeds the quantity covered by the package of services as set out in R.1.4.169;
- c. Where the number of all services covered by the package of services is not limited, Regulated Persons shall delete the statement at the bottom of the row 'Services beyond these quantities will be charged separately'; and
- d. The entire row on package of services shall be deleted, where a package of services is not offered with the account and when the package of services is charged separately from any fees for general account services.

R.1.4.168 With respect to packages of services linked to a Payment Account which are charged separately from fees under the sub-heading 'General account services' as indicated in the template under Annex VII:

- a. Regulated Persons shall include the following Information in the table on package of services:
 - i. a list of all services included in the package, regardless of whether they are included in the list of the most representative services linked to a Payment Account (Annex VI);
 - ii. the quantity of each service covered by the package fee, which may be either a number or an indication that the number of services is not limited;
 - iii. the package fee, in the column 'Fee', right aligned.
- b. Where the package is charged with regular frequency, the frequency shall be displayed in the 'Fee' column and left aligned, with the total annual fee displayed on the line directly underneath the frequency, in bold type and using the wording 'Total annual fee'.
- c. Regulated Persons shall include Information on the additional fee for any service that exceeds the quantity covered by the package of services as set out in R.1.4.169.
- d. Where the number of all services in the package is not limited, Regulated Persons shall delete the statement at the bottom of the table that reads 'Services beyond these quantities will be charged separately'.
- e. Where more than one package is included in the Fee Information Document, Regulated Persons shall provide the Information under this Rule for each package in a separate table, indicating the brand name of the package of services, where applicable.

- f. Regulated Persons shall delete the entire table, where the package of services is not offered with the account, or where the package of services is charged as part of the fee for any general account services.

R.1.4.169 Additional fees for services exceeding the quantity covered by packages of services linked to a Payment Account shall be included in the 'Information on additional services' table indicated in the template under Annex VII. In this respect:

- a. Regulated Persons shall include in this table Information on additional fees for any service that exceeds the quantity covered by a package referred to in R.1.4.167 and R.1.4.168, if this Information is not included in the table of services and fees, or where the corresponding fee for the service is different than shown in the table;
- b. Where Regulated Persons offer more than one package and the additional fees differ dependent on the package, Regulated Persons shall list the different fees separately for each package and use the brand name of the package, where applicable;
- c. In completing this table, Regulated Persons shall follow the same presentation and structure as set out in this Regulation, where applicable;
- d. Where the Fee Information Document does not include any Information on packages of services, Regulated Persons shall delete the 'Information on additional services table'.

G.1.4.20 *Regulated Persons may delete the 'Comprehensive cost indicator' table included in the template under Annex VII, as this is not legally required.*

R.1.4.170 Where a brand name is used throughout the Fee Information Document, it shall follow directly after the name of the service, utilising font type Arial or another font type similar to Arial and font size 11, as well as square brackets.

R.1.4.171 Where the Fee Information Document is provided by electronic means, Regulated Persons may, provided that at the same time the Client is provided with a copy of the Fee Information Document in line with the template laid down in Annex VII and completed as set out above, modify the template in only the following ways:

- a. increase the font sizes, provided that the proportion of sizes set out in R.1.4.165(i) is retained;
- b. where the dimensions of the electronic tools are such that using several tables and columns would make the Fee Information Document difficult to read, use a single column or a single table if the order of Information, headings and sub-headings are retained;

- c. use electronic tools, such as layering and pop-ups, provided that the title of the Fee Information Document, the common symbol, introductory statements, headings and sub-headings, are displayed prominently and the order of Information is retained.

In any case, the use of the electronic tools shall not be intrusive that it could distract the Client from the Information in the Fee Information Document. Information provided through layering and pop-ups shall be limited to the Information referred to in this Section of the Rulebook.

- R.1.4.172 The Fee Information Document shall be provided together with the Information required pursuant to other European Union or national legislation on Payment Accounts and related services.

Other Disclosures

- R.1.4.173 Regulated Persons offering a Payment Account with basic features shall provide detailed Information about the application process for the opening of a Payment Account with basic features. Such Information shall include an application form, as well as a list of any documents required to be submitted with the application. Such Information shall be made available online on the Regulated Person's website and, if so requested by the Client, on a Durable Medium, free of charge. It shall be the duty of the Regulated Person to keep such Information updated at all times.
- R.1.4.174 The services listed within the definition of a Payment Account with basic features as outlined in the Glossary of Definitions shall be offered by Regulated Persons to the extent that they already offer them to Clients holding Payment Accounts other than a Payment Account with basic features.
- R.1.4.175 Regulated Persons must also publish information on the Regulated Person's website and available at its Branches about whether it is possible to open an account:
- a. without visiting a Branch;
 - b. where a visit to a Branch is required, without an appointment;
 - c. on the basis of documents and information supplied in electronic form; and
 - d. by post.
- R.1.4.176 Regulated Persons shall make available to Clients on the Regulated Person's website and their Branches, free of charge, accessible information and assistance about:
- a. the specific features of the Payment Account with basic features on offer;

- b. any minimum balance requirement and any charges payable if the balance falls below the prescribed minimum;
- c. the treatment of Dormant accounts as set out in R.5.6.137 to R.5.6.142;
- d. procedures around closing of accounts; and
- e. any other associated fees and conditions of use.

Regulated Persons shall further ensure that the Information and assistance provided makes it clear that the purchase of additional services is not compulsory in order to access a Payment Account with basic features.

R.1.4.177 Regulated Persons shall ensure that the information and assistance provided in accordance with R.1.4.176 makes it clear that the purchase of additional services is not compulsory in order to access a Payment Account with basic features.

R.1.4.178 Where an application for a Payment Account with basic features is refused the Regulated Person shall, after taking its decision, immediately inform the Client in writing and free of charge, of the refusal and of the specific reason for that refusal, unless such disclosure would be contrary to objectives of national security, public policy or would run counter to the obligations a Regulated Person is under in terms of any applicable anti-money laundering and combating the funding of terrorism legislation.

Where notification of the reason for refusal is given, the Regulated Person shall advise the Client of:

- a. the procedure for submitting a complaint to it against the refusal;
- b. the possibility to contact the MFSA and provide the relevant contact details; and
- c. the right to lodge a complaint with the Office of the Arbiter for Financial Services and provide the relevant contact details.

R.1.4.179 Regulated Persons shall disclose and make available on its website, the average number of days it shall take to complete each of the following actions provided that all relevant information would have been provided by the Client for each of the following actions:

- a. Generating a working account number for the Client;
- b. Issuing a debit card to a Client who requests one as part of their application to open an account or for whom the issue of a debit card is a term or condition of the account contract;
- c. Enabling internet banking facilities to a Client who requests it as part of their application to open an account or for whom the provision of Internet Banking is a term or condition of the account contract; and
- d. Providing an authorised overdraft agreement where the Client has requested same as part of their application to open the account.

- R.1.4.180 Where a Client indicates to a Regulated Person with whom that Client holds a Payment Account that the Client wishes to open a Payment Account with another Payment Service Provider located in another Member State, the Regulated Person shall, on receipt of such request, and subject to R.1.4.181, provide the following assistance to the Client:
- a. provide the Client, free of charge, with:
 - i. a list of all currently active standing orders for credit transfers and debtor-driven direct debit mandates, where available; and
 - ii. available Information about recurring incoming credit transfers and creditor-driven direct debits executed on the Client's Payment Account in the previous thirteen months:
 Provided that this shall not entail any obligation on the part of the Payment Service Provider located in another Member State with which the Client wishes to open a Payment Account, to set up services that it does not provide;
 - b. transfer any positive balance remaining on the Payment Account held by the Client to the Payment Account opened or held by the Client with the new Payment Service Provider located in another Member State; and
 - c. close the Payment Account held by the Client.
- R.1.4.181 Without prejudice to Articles 55(1) and 55(6) of [Directive \(EU\) 2015/2366](#) and as implemented and laid down in the Maltese laws transposing this Directive, and if the Client does not have any outstanding obligations on a Payment Account, the Maltese Regulated Person shall conclude the steps set out in R.1.4.180 on the date specified by the Client, which, unless otherwise agreed between the Client and the Regulated Person, shall be at least six business days after the Regulated Person receives the Client's request.
- R.1.4.182 The requirement in R.1.4.180(b) shall only apply where the Client has:
- a. requested that the transfer be made; and
 - b. provided full details of the account opened or held with the other Payment Service Provider in another Member State, including any necessary details which are required by the Maltese Regulated Person in order to identify the new Payment Service Provider located in another Member State and the Payment Account opened or held by the Client with the new Payment Service Provider.
- R.1.4.183 Where outstanding obligations prevent the Maltese Regulated Person from closing the Payment Account in accordance with R.1.4.180(c), it shall immediately inform the Client.
- R.1.4.184 A Regulated Person shall communicate the following general information about Overdrafts to Clients who apply for a Payment Account, insofar as this is relevant to the account applied for:
- a. an explanation that an overdraft is a borrowing or Credit Agreement;

- b. a general description of the nature and principle features of arranged and unarranged overdrafts associated with the Payment Accounts offered by the Regulated Person;
- c. a general explanation of the principle risks associated with:
 - i. overdrawing without prior arrangement; and
 - ii. opting out of an unarranged Overdraft facility (if the Regulated Person's terms and conditions permit this)
- d. a general explanation of what may happen when a Client attempts to exceed an arranged overdraft limit or to overdraw in the absence of an arranged overdraft; and
- e. a general explanation of how the use of an Overdraft might impact the Client's ability to be considered eligible for a Credit Agreement.

The information included in indents (a) to (e) must be presented together.

- R.1.4.185 When applying for a pre-arranged Overdraft together with the opening of a Payment Account, Regulated Persons shall also provide information about reductions in arranged Overdraft limits, including:
- a. Whether the Client can request the reduction or removal of their arranged Overdraft facility after the Payment Account has been opened;
 - b. How the Client can do this; and
 - c. Any limitations or conditions on the Client's ability to do this.
- R.1.4.186 The information included in R.1.4.184 – R.1.4.185 shall also be made available to Clients who apply for an Overdraft facility whilst already holding a pre-existing Payment Account and in all instances should be communicated in writing and be concise, presented prominently and in clear and simple language.

Post-Contractual Disclosures

Statement of Fees

- R.1.4.187 Without prejudice to Articles 57 and 58 of [Directive \(EU\) 2015/2366](#) and Article 12 of [Directive 2008/48/EC](#) and as implemented and laid down in the Maltese laws transposing these Directives, a Regulated Person shall provide Clients, at least annually and free of charge, with a Statement of Fees incurred, as well as, where applicable, Information regarding the interest rates for services linked to a Payment Account. The content and presentation format of the Statement of Fees will be ensured by the same Regulated Person to be in accordance with the [Commission Implementing Regulation \(EU\) 2018/ 33](#), as implemented within this Chapter.
- R.1.4.188 Regulated Persons shall utilise the standardised template for the Statement of Fees indicated in Annex VIII and shall follow the order of Information, headings and sub-headings laid down in such template without modifying it other than provided for in this Section of the Rulebook.
- R.1.4.189 The method of communication used to provide the Statement of Fees shall be agreed with the Client and, upon the request of the Client, the Statement of Fees shall be provided on paper, free of charge.
- R.1.4.190 The Regulated Person must ensure that the Statement of Fees shall:
- a. state all fees incurred during the relevant period for services linked to a Payment Account;
 - b. use the standardised terms contained in the list of the most representative services linked to a Payment Account (Annex VI), as issued and periodically updated by the MFSA;
 - c. be accurate, not misleading, and expressed in the currency of the payment account or, if agreed by the Client and the Regulated Person, in another currency;
 - d. include all penalties incurred related to the use of a Payment Account.
- R.1.4.191 The Statement of Fees shall also specify at least the following Information:
- a. the unit fee charged for each service and the number of times the service was used during the relevant period;
 - b. where the services are combined in a package:
 - i. the fee charged for the package as a whole;
 - ii. the number of times the package fee was charged during the relevant period; and

- iii. the additional fee charged for any service exceeding the quantity covered by the package;
- c. the total amount of fees incurred during the relevant period for:
 - i. each service;
 - ii. each package of service provided; and
 - iii. services exceeding the quantity covered by the package fee;
- d. the Overdraft Facility interest rate or rates applied to the Payment Account during the relevant period, where applicable;
- e. the total amount of interest charged relating to the Overdraft Facility during the relevant period, where applicable;
- f. the credit interest rate or rates applied to the Payment Account during the relevant period, where applicable;
- g. the total amount of interest earned during the relevant period, where applicable; and
- h. the total amount of fees charged for all services provided during the relevant period.

R.1.4.192 The Statement of Fees should list packages of services separately and if packages are charged as part of a general fee, such packages should be displayed together with that fee.

R.1.4.193 With respect to presentational format, the Statement of Fees shall:

- a. be presented and laid out in a way that is clear and easy to read, using characters of a reasonable size;
- b. contain the title "Statement of Fees" at the top of the first page of the statement next to the common symbol to distinguish the document from other documentation; and
- c. be written in English or, if requested by the Client, in Maltese or, in any other language agreed upon by the Client and the Regulated Person.

R.1.4.194 Moreover, Regulated Persons shall ensure that the Statement of Fees template in Annex VIII is presented in line with the following rules:

- a. The Statement of Fees shall:
 - i. be presented in A4 portrait format;
 - ii. contain the title 'Statement of Fees' at the top of the first page, with the title centred and positioned between the logo of the Regulated Person at the top left-hand side of the document and the common symbol at the top right-hand side of the document;
 - iii. contain the common symbol of the size 2,5 cm × 2,5 cm and displayed as shown in the template laid down in Annex VIII;
 - iv. use font type Arial or another font type similar to Arial and font size 11, with exceptions for the title 'Statement of Fees', which uses font size 16 in bold type; font size 14 in bold type for the

- headings, and font size 12 in bold for the sub-headings, unless an increase in the font size or use of braille font type for visually impaired persons is either required or agreed between the Client and the Regulated Person;
- v. be produced in black and white, with exception of the logo of the Regulated Person and the common symbol which may be presented in colour;
 - vi. contain the headings in semi-dark grey using the colour pattern with reference number 166,166,166 of the RGB colour model and the sub-headings in light-grey colour using the colour pattern with reference number 191,191,191 of the RGB colour model; and
 - vii. have its pages numbered.
- b. Where the common symbol is displayed in colour it shall follow the colour pattern with reference number 0/51/153 (hexadecimal: 003399) of the RGB colour model for the background and colour pattern 255/204/0 (hexadecimal: FFCC00) of the RGB colour model for the symbol.
 - c. The logo of the Regulated Person shall be of an equivalent size to the size of the common symbol.
 - d. The logo may only be displayed in colour if the common symbol is also displayed in colour. Where printed in black and white the common symbol shall be clearly readable.
 - e. Regulated Persons shall replace indications between square brackets with the name of the account provider in bold type and left aligned.
 - f. Regulated Persons shall replace indications between square brackets with their contact details, such as the geographical address, telephone number, e-mail address, fax number, web address and contact person/point that the Client may use for future correspondence. Those contact details shall be displayed left aligned.
 - g. Regulated Persons shall replace indications between square brackets with the name of the Client. The name shall be displayed in bold type, left aligned.
 - h. Regulated Persons shall replace indications between square brackets with the geographical address of the Client. The geographical address shall be displayed left aligned and, with the exception of the first letter of each word, in lower cases.
 - i. Regulated Persons shall display the name of the Payment Account. That name shall be displayed in bold type, left aligned and directly after relevant words.
 - j. Regulated Persons shall display details that identify the Payment Account, such as the Bank Identifier Code (BIC), the International

Bank Account Number (IBAN), the national account number and national sort code. Those details shall be displayed left aligned.

- k. Regulated Persons shall display in the row 'period', left aligned, the calendar period that is covered by the statement of fees.
- l. Regulated Persons shall display in the row 'date', left aligned, the calendar date when they provide the Statement of Fees.
- m. The text of the introductory statement specified in the template under Annex VIII shall be reproduced as such in the statement of fees, using line spacing 1.15, 0 pt before and 10 pt after the text.

R.1.4.195 When completing the 'Summary of fees and interest' section in the statement of fees template under Annex VIII:

- a. Regulated Persons shall display in bold type and right aligned the total amounts of the fees and interests to be included in the four separate tables under 'Summary of fees and interest';
- b. Where interest is not applicable to a specific account, the Regulated Person shall use the wording 'interest not applicable', in lower case, right aligned;
- c. Where interest is applicable but, for the specific period, it amounts to zero, Regulated Persons shall indicate this by using '0' in the corresponding table; and
- d. Regulated Persons shall delete the 'comprehensive costs indicator' table.

R.1.4.196 When completing the 'Detailed statement of fees paid on the account' table specified in the Statement of Fees template under Annex VIII, Regulated Persons shall:

- a. List all fees incurred in the relevant period for the corresponding services. Fees for provision or maintenance of the account shall be listed under sub-heading 'General account services';
- b. Insert the services in the sub-column 'Service', left aligned, in bold type, using line spacing single, 0 pt before and 0 pt after each service;
- c. Display in the sub-column 'Number of times the service was used' the number of times each service has been used during the relevant period of the Statement of Fees, right aligned, using the font type Arial or another font type similar to Arial and font size 11. Regulated Persons shall leave the sub-column 'Number of times the service was used' blank where a service has been used but the Regulated Person did not charge a fee for that service;
- d. Display in the sub-column 'Unit fee' the unit fee structure and cost for each service used, right aligned;
- e. Display in the sub-column 'Number of times the fee was charged' the number of times each service has been charged during the relevant period of the statement of fees, right aligned. Regulated

Persons shall indicate this in the corresponding sub-column by using the wording 'fee not charged' where a service has been used but no fee has been charged;

- f. Display in the sub-column 'Total' the resulting total amount of fees paid for using that service during the relevant period, in bold;
- g. Where a sub-heading does not contain any service, delete that sub-heading. Regulated Persons shall also delete the sub-heading when the Client did not use any services beyond the quantities indicated in the package of services during the relevant period; and
- h. Display the resulting total amount of fees paid by a Client during the relevant period in the row 'Total fees paid', in bold.

R.1.4.197 In addition to R.1.4.196, where separate fees are charged in one or more of the following ways, Regulated Persons shall provide, in the 'Detailed statement of fees paid on the account' table, specifically in the 'Service' column of the respective service on a separate line, a description of each fee-charging instance, channel or condition ('types of fees'):

- a. for different fee-charging instances of the provision of the same service, such as an initial set-up fee and subsequent execution fees for the same service;
- b. for different channels through which the same service is requested, used or provided, such as by phone, Branch or online;
- c. depending on whether a specific condition for the same service is met, such as adherence to a minimum or maximum threshold amount for credit transfers or cash withdrawals;

The description shall be left aligned and the fees shall be displayed in the 'Unit fee' column right aligned.

Where fees are charged dependent on a combination of several types of fees, such as fees that differ by channel and are then further separated depending on whether a threshold amount is met, Regulated Persons shall, in addition to applying R.1.4.196(c), right-align the description of each additional type of fee.

Where the fee has changed during the relevant period, Regulated Persons shall list the fees applied during each period, by adding new lines to the 'Unit fee' column.

R.1.4.198 With respect to packages of services linked to a payment account which are charged as part of the fees under the sub-heading 'General account services', as indicated in the template under Annex VIII:

- a. Regulated Persons shall include in the table 'Detailed statement of fees paid on the account' in the row on 'Package of services' the Information on the services included in the package in the column

'Service' and the number of the times the package was used in the column 'Number of times the service was used'. In the columns under 'Fee', Regulated Persons shall display the fee charged for the package as a whole, and the number of times the package fee was charged during the relevant period respectively, as set out in the previous Rule. The row shall be deleted if the package of services is charged separately from the fee for general account services;

- b. Any fee charged for any service exceeding the quantity covered by the package shall be disclosed in the table listing services and fees as referred to in Rules R.1.4.194 – R.1.4.197;
- c. If the number of services in the package is not limited, or where the quantities of services covered by the package have not been exceeded, Regulated Persons shall delete the statement at the bottom of the row specifying 'Services beyond these quantities have been charged separately'.

R.1.4.199 With respect to packages of services linked to a payment account which are charged separately from any fees under the sub-heading 'General account services' for general account services, as referred to in the table listing services and fees indicated in the template under Annex VIII:

- a. Regulated Persons shall include the following Information in the table on package of services:
 - i. in the column on package of services, the brand name, if applicable, or the content the package, by deleting the square brackets;
 - ii. in the 'Fee' column, the fee charged for the package as a whole for the period of the statement of fees, right aligned;
 - iii. in the third column, the number of times the package fee was charged during the relevant period.

Any additional fee charged for any service exceeding the quantity covered by the package fee shall be disclosed in the table on service and fees as referred to in R.1.4.196 and R.1.4.197;

- b. Where the package is charged with regular frequency, the frequency shall be displayed in the 'Fee' column and left aligned, with the total annual cost displayed on the line directly underneath the frequency, in bold type and using the wording 'Total annual cost';
- c. Where different packages incur different fees during the relevant period, the Information listed in (a) shall be provided for each package in a separate table;
- d. Regulated Persons shall delete the entire table, including the heading 'Detail of the fees included in the package of service', if a package of services is not provided with the account or if the package of services offered with the account is charged as part of the fee for any general account services;

- e. Where the number of all services in the package is not limited, or where quantities of services covered by the package of services have not been exceeded, Regulated Persons shall delete the statement at the bottom of the table that reads 'Services beyond these quantities have been charged separately'.

R.1.4.200 When completing the 'Detail of interest paid on the account' table specified in the statement of fees template under Annex VIII, Regulated Persons shall:

- a. Display the interest paid by the Client during the period covered by the statement of fees, where applicable.
- b. Display the interest rate in the column 'Interest rate' and as a percentage applied on an annual basis. If the interest rate has changed during the relevant period, Regulated Persons shall list each interest rate that applied during each period on a separate line.
- c. Regulated Persons shall display in the column 'Interest' the interest paid by a Client, expressed in the currency of the account, in bold. If the interest rate has changed during the relevant period, Regulated Persons shall show the interest paid by the Client separately for each of the relevant periods, each on a separate line.
- d. Display the resulting total amount of interest paid by the Client during the relevant period, in bold, in row 'Total interest paid'.
- e. Utilise the words 'interest not applicable', in lower case, left aligned, in bold, in the row 'Total interest paid' where no interest is paid by a Client because no interest is applicable to the account.

R.1.4.201 When completing the 'Detail of interest earned on the account' table specified in the statement of fees template under Annex VIII, Regulated Persons shall:

- a. Display the interest earned by the Client during the period covered by the statement of fees, where applicable;
- b. Replace 'Account name' with the name of the relevant account, in bold;
- c. Display the interest rate in the column 'Interest rate' and as a percentage applied on an annual basis. If the interest rate changed during the relevant period, Regulated Persons shall list each interest rate that applied during each period on a separate line;
- d. Display in the column 'Interest' the interest earned by a Client, expressed in the currency of the account, in bold, in the column 'Interest'. If the interest rate has changed during the period covered by the statement of fees, Regulated Persons shall show the interest earned by the payment account holder separately for each of the relevant periods, each on a separate line. Where interest rate is applicable but, for the specific period, it amounts to zero, Payment Service Providers shall display '0' in the column 'Interest';

- e. Utilise the words 'interest not applicable', in lower case, left aligned, in the column 'Interest' where a particular account does not pay the interest because no interest is applicable to the account;
- f. Display in the row 'Total interest earned' the resulting total amount of interest earned by the Client during the period covered by the statement of fees, in bold;
- g. Utilise the words 'interest not applicable', in lower case, left aligned, in bold, in the row 'Total interest earned' where a particular account does not pay the interest because no interest is applicable to the account.

R.1.4.202 When completing the 'Additional Information' table in the statement of fees template under Annex VIII, Regulated Persons shall:

- a. Display any additional Information that goes beyond the Information covered under R.1.4.194 – R.1.4.201 and that is directly related to the services or fees paid or interest charged or earned, or interest rates applied during the period covered by the statement of fees. The additional Information displayed in this table shall include any Information required by any other legislative or regulatory provision applicable to the Regulated Person;
- b. Follow the presentation format set out in previous Rules under this section of the Rulebook; and
- c. Delete the table should they not provide Information of the kind specified under (a) above.

R.1.4.203 Where a brand name is used throughout the Statement of Fees, it shall follow directly after the name of the service, utilising font type Arial or another font type similar to Arial and font size 11, as well as square brackets.

R.1.4.204 Where the Statement of Fees is provided by electronic means, Regulated Persons may, provided that at the same time the Client is provided with a copy of the Statement of Fees document in line with the template laid down in Annex VIII and completed as set out above, modify the template in only the following ways:

- a. increase the font sizes, provided that the proportion of sizes set out in R.1.4.194(a) is retained;
- b. where the dimensions of the electronic tools are such that using several tables and columns would make the statement of fees difficult to read, use a single column or a single table if the order of Information, headings and sub-headings are retained;
- c. use electronic tools, such as layering and pop-ups, provided that the title of the statement of fees, the common symbol, introductory statements, headings and sub-headings, are displayed prominently and the order of Information is retained.

In any case, the use of the electronic tools shall not be intrusive that it could distract the Client from the Information in the Statement of Fees. Information provided through layering and pop-ups shall be limited to the Information referred to in this Section of the Rulebook.

- R.1.4.205 The Statement of Fees shall be provided together with any Information required pursuant to other European Union or national legislation on payment accounts and related services.

Other Disclosures

- R.1.4.206 Regulated Persons shall offer a switching service as defined in this Rulebook between payment accounts held in the same currency to any Client who opens or holds a payment account with a Regulated Person.

In doing so, the Regulated Person shall make available to Clients the following Information about the switching service:

- a. the roles of the transferring and receiving Payment Service Provider for each step of the switching process;
- b. the timeframes for completion of the respective steps;
- c. any fees that shall be charged for the switching process;
- d. any Information that the Client will be asked to provide;
- e. the available alternative dispute resolution procedures.

- R.1.4.207 The Information referred to in R.1.4.206 shall:
- a. be made available free of charge, on paper or another Durable Medium, at all premises of the Regulated Person accessible to Clients;
 - b. be available in electronic form on the Regulated Person's website at all times; and
 - c. be provided to Clients upon request.

Regulated Persons shall also make available such Information required pursuant to other European Union or national legislation on Payment Accounts and related services.

- R.1.4.208 A switching service shall be initiated by the receiving Payment Service Provider at the request of the Client and shall meet the requirements set out in R.1.4.209 to R.1.4.214 below together with the requirements under R.1.4.206 and R.1.4.207 above.

- R.1.4.209 Regulated Persons must abide with the following requirements regarding the authorisation process of a switching service:
- a. The receiving Payment Service Provider shall perform the switching service upon receipt of the authorisation from the Client, which shall

- be in such form as may be suggested by the receiving Payment Service Provider.
- b. In the case of two or more holders of the same account, the authorisation referred to in paragraph (a) above shall be obtained from each of such holders.
 - c. The authorisation shall be drawn up in English or, if requested by the Client, in Maltese or, in any other language agreed upon by the Client and the Regulated Person.
 - d. The authorisation shall allow the Client to:
 - i. provide specific consent to the performance by the transferring Payment Service Provider of each of the tasks set out in R.1.4.210(a) to (f);
 - ii. provide specific consent to the performance by the receiving Payment Service Provider of each of the tasks referred to in R.1.4.212(a)(i) to (vii);
 - iii. specifically identify incoming credit transfers, standing orders for credit transfers and direct debit mandates that are to be switched; and
 - iv. specify the date from which standing orders for credit transfers and direct debits are to be executed from the Payment Account opened or held with the receiving Payment Service Provider.
 - e. The date specified in accordance with paragraph (d)(iv) above shall be at least six business days after the date on which the receiving Payment Service Provider receives the documents transferred from the transferring Payment Service Provider in accordance with R.1.4.211(a)(i).
 - f. The receiving Payment Service Provider shall require the authorisation from the Client to be in writing and that a copy of the authorisation be provided to the Client.

R.1.4.210 In cases of a request from the receiving Payment Service Provider, within two business days from receipt of the authorisation referred to in R.1.4.209, the receiving Payment Service Provider shall request that the transferring Payment Service Provider carry out each of the following tasks, if provided for in the Client's authorisation:

- a. transmission to the receiving Payment Service Provider and, if specifically requested by the Client, to the Client, of a list of the existing standing orders for credit transfers and available information on direct debit mandates that are being switched;
- b. transmission to the receiving Payment Service Provider and, if specifically requested by the Client, to the Client, of the available information about recurring incoming credit transfers and Regulated Person-driven direct debits executed on the Client's Payment Account during the previous thirteen months;
- c. where the transferring Payment Service Provider does not provide a system for automated redirection of the incoming credit transfers

and direct debits to the Payment Account held by the Client with the receiving Payment Service Provider, stop accepting direct debits and incoming credit transfers with effect from the date specified in the authorisation;

- d. cancellation of standing orders with effect from the date specified in the authorisation;
- e. transfer of any remaining positive balance to the Payment Account opened or held with the receiving Payment Service Provider on the date specified by the Client; and
- f. closure of the account held by the Client with the transferring Payment Service Provider on the date specified by the Client.

R.1.4.211 With respect to tasks for the transferring Payment Service Provider, the Regulated Person shall ensure that:

- a. Upon receipt of a request from the receiving Payment Service Provider, the transferring Payment Service Provider shall carry out the following tasks, if provided for in the Client's authorisation:
 - i. send the information described in R.1.4.210(a) and (b) to the receiving Payment Service Provider within five business days;
 - ii. where the transferring Payment Service Provider does not provide a system for automated redirection of incoming credit transfers and direct debits to the Payment Account held or opened by the Client with the receiving Payment Service Provider, stop accepting incoming credit transfers and direct debits on the Payment Account with effect from the date specified in the authorisation;
 - iii. cancel standing orders from the date specified in the authorisation;
 - iv. transfer any remaining positive balance from the Payment Account to the Payment Account opened or held with the receiving Payment Service Provider on the date specified in the authorisation;
 - v. close the Payment Account on the date specified in the authorisation if the Client has no outstanding obligations on that Payment Account and the actions described in sub-paragraphs (i), (ii), and (iv) have been completed.
- b. Where any outstanding obligations on the Payment Account prevent closure of the account in accordance with sub-paragraph (a)(v), the transferring Payment Service Provider shall immediately inform the Client that this is the case.
- c. Where the transferring Payment Service Provider stops accepting incoming credit transfers and direct debits in accordance with sub-paragraph (a)(ii), it shall inform the payer and the payee in writing and within five business days, of the reason for not completing the payment transaction.

- R.1.4.212 With respect to tasks for the transferring Payment Service Provider, the Regulated Person shall ensure that:
- a. Within five business days of receipt of the information requested from the transferring Payment Service Provider as referred to in R.1.4.210, the receiving Payment Service Provider shall, if provided for in the authorisation and to the extent that the information provided by the transferring Payment Service Provider or the Client enables the receiving Payment Service Provider to do so, carry out the following tasks:
 - i. set up the standing orders for credit transfers requested by the Client and execute them with effect from the date specified in the authorisation;
 - ii. make any necessary preparations to accept direct debits and accept them with effect from the date specified in the authorisation;
 - iii. where relevant, inform Clients of their rights in accordance with Article 5(3)(d) of [Regulation \(EU\) 260/2012](#) which establishes technical and business requirements for credit transfers and direct debits in euro;
 - iv. inform payers specified in the authorisation and making recurring incoming credit transfers into a Client's payment account of the details of the Client's payment account with the receiving Payment Service Provider and transmit to such payers a copy of the Client's authorisation;
 - v. where the receiving Payment Service Provider does not have all the information it needs to complete the task referred to in indent (iv), ask the Client or the transferring Payment Service Provider to provide the missing information;
 - vi. inform payees specified in the authorisation and using a direct debit to collect funds from the Client's Payment Account of the details of the Client's Payment Account with the receiving Payment Service Provider and the date from which direct debits are to be collected from that Payment Account and transmit to such payees a copy of the Client's authorisation;
 - vii. where the receiving Payment Service Provider does not have all the information that it needs to inform the payees, it shall ask the Client or the transferring Payment Service Provider to provide the missing information.
 - b. Where the Client chooses to personally provide the information referred to in paragraph(a)(iv) or (vi) to the payers or payees rather than provide specific consent in accordance with R.1.4.209 allowing the receiving Payment Service Provider to do so, the receiving Payment Service Provider shall provide the Client with standard letters providing details of:
 - i. the payment account; and
 - ii. the starting date specified in the authorisation within the deadline referred to in paragraph (a).

- c. Any requirements imposed on the receiving Payment Service Provider shall start to apply when such Payment Service Provider has all information and documentation necessary to discharge its duties under this section.
- d. The transferring Payment Service Provider shall not block any payment instrument before the date specified in the Client's authorisation, so that the provision of payment services to the Client is not interrupted in the course of the provision of the switching service.

R.1.4.213 In relation to fees connected with the switching service, Regulated Persons must ensure that:

- a. Transferring and receiving Payment Service Providers shall provide the Client with access, free of charge, to personal information regarding any existing standing orders and direct debits applicable to the accounts the Client holds with them;
- b. The transferring Payment Service Provider shall not charge the Client or the receiving Payment Service Provider for the provision of information requested from it by the receiving Payment Service Provider in accordance with R.1.4.210(a) and (b);
- c. Any fee payable by the Client applied by the transferring Payment Service Provider in respect of the termination of the framework contract for the Payment Account held with the transferring Payment Service Provider shall be determined in accordance with Article 45(2), (4) and (6) of Directive 2007/64/EC;
- d. Transferring or receiving Payment Service Providers may charge the Client a fee for any service referred to in R.1.4.210 to R.1.4.212, other than those referred to in paragraph (a) to (c) of this Rule, provided that any such fee is:
 - i. reasonable; and
 - ii. in line with the actual costs to the Payment Service Provider of providing the relevant service.

R.1.4.214 With respect to financial loss to Clients, Regulated Persons must ensure that:

- a. Subject to sub-paragraph (b), where a Client suffers any financial loss, as a direct result of the non-compliance of a Payment Service Provider with any requirement provided for in R.1.4.210 to R.1.4.212, that Payment Service Provider shall reimburse the full extent of the loss, including charges and interest, without delay.
- b. The duty to reimburse provided for in paragraph (a) shall not apply in the case of unavoidable losses arising as a result of:
 - i. abnormal and unforeseeable circumstances beyond the control of the Payment Service Provider pleading for the application of those circumstances, the consequences of which would have been unavoidable despite all efforts to the contrary; or

- ii. the Payment Service Provider's compliance with other legal obligations pursuant to other European Union or national legislative acts.

Other Provisions for Regulated Persons offering Payment Accounts

- R.1.4.215 Regulated Persons shall ensure that the provisions in this Section relating to the Fee Information Document (Annex VII) and the statement of fees (Annex VIII) apply *mutatis mutandis* in regard to payment accounts with basic features.
- R.1.4.216 A Regulated Person may utilise brand names in the Fee Information Document (Annex VII) and the statement of fees (Annex VIII), provided that such brand names are used in addition to the standardised terms set out in the list of the most representative services linked to a payment account as issued and periodically updated by the MFSA, and as a secondary designation of those services.

Section 5: Rules applicable to Regulated Persons offering Deposit Accounts

Applicability

- R.1.5.217 The Rules under this Section shall only apply to accounts in so far as they cannot be considered as Payment Accounts capable of undertaking day-to-day payment transactions. To this end, the term 'Deposit Accounts' shall include 'fixed term savings/deposit accounts' and other 'savings accounts' which cannot undertake day-to-day payment transactions.

Specific rules covering Payment Accounts are considered under Section 4 of this Chapter.

General Requirements

- R.1.5.218 Regulated Persons offering all forms of Deposit Accounts shall provide detailed Information about the application process for the opening of such account. This Information shall include an application form, as well as a list of any documents required to be submitted with the application. Such Information shall be made available online on the Regulated Person's website and, if so requested by the Client, on a Durable Medium, free of charge. It shall be the duty of the Regulated Person to keep such Information updated at all times.
- R.1.5.219 Regulated Persons must also publish information on the Regulated Person's website and available at its Branches about whether it is possible to open an account:
- a. without visiting a Branch;
 - b. where a visit to a Branch is required, without an appointment;
 - c. on the basis of documents and information supplied in electronic form; and
 - d. by post.
- R.1.5.220 Regulated Persons shall disclose and make available on its website, the average number of days it shall take to complete each of the following actions provided that all relevant information would have been provided by the Client for each of the following actions:
- a. Generating a working account number for the Client; and
 - b. Enabling internet banking facilities to a Client who requests it as part of their application to open an account or for whom the provision of Internet Banking is a term or condition of the account contract.
- R.1.5.221 At the request of the Client, a Regulated Person should provide information about the current rate of interest that applies to a Deposit Account in any of the following means agreed upon by the Client and the Regulated Person:
- a. through any of the internet banking facilities provided by the Regulated Person to which the Client is subscribed,
 - b. by telephone,
 - c. by email, where the Client is able to provide an active email address; or
 - d. in one of the Regulated Person's Branches.
- R.1.5.222 Regulated Persons should publish the current rate of interest that applies to each Deposit Account it provides on its website (whether or not the account is available to new Clients) and ensure that this is kept continuously up to date and is easily accessible by all Clients.

Interest for all types of deposit accounts is to be calculated as per below methodology. When an interval between dates used in the calculation cannot be expressed as a whole number of years, months or weeks, the interval shall be expressed as a whole number of one of these periods in combination with a number of days. For the choice among years, months or weeks, consideration shall be given to the frequency of drawdowns and payments. When using days:

- a. Every day shall be counted, including weekends and holidays;
- b. Equal periods and then days shall be counted backwards to the date of the initial drawdown;
- c. The length of a period of days shall be obtained excluding the first day and including the last day (simple subtraction of dates), and shall be expressed in years by dividing this period by the number of days (365 or 366 days) of the complete year counted backwards from the last day to the same day of the previous year; and
- d. One month is presumed to have 30.41666 days (365/12).

- R.1.5.223 In relation to a Deposit Account which takes the form of a Fixed Term Deposit Account, Regulated Persons should provide notice of the expiry of the fixed term to the Client in a Durable Medium in good time before the end of the fixed term. This notice should explain, in easily understandable language and in a clear and comprehensible form:
- a. the consequences of the expiry of the fixed term, including whether the Regulated Person proposes to transfer the balance of the account to another Fixed Term Deposit Account if the Client does not provide further instructions to the Regulated Person while it has an opportunity to do so; and
 - b. the options available to the Client for dealing with the balance in the Fixed Term Deposit Account, including when and how these options may be exercised.
 - c. If maturity instructions were already provided at account opening stage by the Client to the Regulated Person, an expiry notice is still to be provided to the client in case such maturity instructions need to be amended.

This Rule does not apply where the maturity date of the Fixed Term Deposit Account is less than 90 days.

Annex I – Calculation of the APRC for Credit Agreements relating to Residential Immovable Property

I. Basic equation expressing the equivalence of drawdowns on the one hand and repayments and charges on the other.

The basic equation, which establishes the annual percentage rate of charge (APRC), equates, on an annual basis, the total present value of drawdowns on the one hand and the total present value of repayments and payments of charges on the other hand, i.e.:

$$\sum_{k=1}^m C_k (1 + X)^{-t_k} = \sum_{l=1}^{m'} D_l (1 + X)^{-s_l}$$

where:

X is the APR,

m is the number of the last drawdown,

k is the number of a drawdown, thus $1 \leq k \leq m$,

C_k is the amount of drawdown k,

t_k is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each subsequent drawdown, thus t₁ = 0

m' is the number of the last repayment or payment of charges,

l is the number of a repayment or payment of charges,

D_l is the amount of a repayment or payment of charges,

s_l is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each repayment or payment of charges.

Remarks:

(a) The amounts paid by both parties at different times shall not necessarily be equal and shall not necessarily be paid at equal intervals.

(b) The starting date shall be that of the first drawdown.

(c) Intervals between dates used in the calculations shall be expressed in years or in fractions of a year. A year is presumed to have 365 days (or 366 days for leap years), 52 weeks or 12 equal months. An equal month is presumed to have 30.41666 days (i.e. 365/12) regardless of whether or not it is a leap year.

Where intervals between dates used in the calculations cannot be expressed as a whole number of weeks, months or years, the intervals shall be expressed as a whole number of one of those periods in combination with a number of days. Where using days:

- (i) every day shall be counted, including weekends and holidays;
- (ii) equal periods and then days shall be counted backwards to the date of the initial drawdown;

- (iii) the length of the period of days shall be obtained excluding the first day and including the last day and shall be expressed in years by dividing this period by the number of days (365 or 366 days) of the complete year counted backwards from the last day to the same day of the previous year.

(d) The result of the calculation shall be expressed with an accuracy of at least one decimal place. If the figure at the following decimal place is greater than or equal to 5, the figure at that particular decimal place shall be increased by one.

(e) The equation can be rewritten using a single sum and the concept of flows (A_k), which will be positive or negative, in other words either paid or received during periods 1 to n , expressed in years, i.e.:

$$S = \sum_{k=1}^n A_k (1 + X)^{-t_k},$$

S being the present balance of flows. If the aim is to maintain the equivalence of flows, the value will be zero.

II. Additional assumptions for the calculation of the annual percentage rate of charge:

(a) If a credit agreement gives the consumer freedom of drawdown, the total amount of credit shall be deemed to be drawn down immediately and in full.

(b) If a credit agreement provides different ways of drawdown with different charges or borrowing rates, the total amount of credit shall be deemed to be drawn down at the highest charge and borrowing rate applied to the most common drawdown mechanism for this type of credit agreement.

(c) If a credit agreement gives the consumer freedom of drawdown in general but imposes, among the different ways of drawdown, a limitation with regard to the amount and period of time, the amount of credit shall be deemed to be drawn down on the earliest date provided for in the agreement and in accordance with those drawdown limits.

(d) If different borrowing rates and charges are offered for a limited period or amount, the highest borrowing rate and charges shall be deemed to be the borrowing rate and charges for the whole duration of the credit agreement.

(e) For credit agreements for which a fixed borrowing rate is agreed in relation to the initial period, at the end of which a new borrowing rate is determined and subsequently periodically adjusted according to an agreed indicator or internal reference rate the calculation of the APRC shall be based on the assumption that, at the end of the fixed borrowing rate period, the borrowing rate is the same as at the time of calculation of the APRC, based on the value of the agreed indicator or internal reference rate at that time, but is not less than the fixed borrowing rate.

(f) If the ceiling applicable to the credit has not yet been agreed, that ceiling is assumed to be EUR 170 000. In the case of credit agreements - other than contingent liabilities or guarantees - the purpose of which is not to acquire or retain a right in immovable property or land, overdrafts, deferred debit cards or credit cards this ceiling is assumed to be EUR 1,500.

(g) In the case of credit agreements other than overdrafts, bridging loans, shared equity credit agreements, contingent liabilities or guarantees and open-ended credit agreements as referred to in the assumptions set out in sub-paragraphs (i), (j), (k), (l) and (m):

- (i) if the date or amount of a repayment of capital to be made by the consumer cannot be ascertained, it shall be assumed that the repayment is made at the earliest date provided for in the credit agreement and is for the lowest amount for which the credit agreement provides;
- (ii) if the interval between the date of initial drawdown and the date of the first payment to be made by the consumer cannot be ascertained, it shall be assumed to be the shortest interval.

(h) Where the date or amount of a payment to be made by the consumer cannot be ascertained on the basis of the credit agreement or the assumptions set out in sub-paragraphs (g), (i), (j), (k), (l) and (m) it shall be assumed that the payment is made in accordance with the dates and conditions required by the creditor and, when these are unknown:

- (i) interest charges are paid together with the repayments of the capital;
- (ii) non-interest charges expressed as a single sum are paid at the date of the conclusion of the credit agreement;
- (iii) non-interest charges expressed as several payments are paid at regular intervals, commencing with the date of the first repayment of capital, and if the amount of such payments is not known they shall be assumed to be equal amounts;
- (iv) the final payment clears the balance of capital, interest and other charges, if any.

(i) In the case of an overdraft facility, the total amount of credit shall be deemed to be drawn down in full and for the whole duration of the credit agreement. If the duration of the overdraft facility is not known, the APRC shall be calculated on the assumption that the duration of the credit is three months.

(j) In the case of a bridging loan, the total amount of credit shall be deemed to be drawn down in full and for the whole duration of the credit agreement. If the duration of the credit agreement is not known the APRC shall be calculated on the assumption that the duration of the credit is 12 months.

(k) In the case of an open ended credit agreement, other than an overdraft facility and bridging loan, it shall be assumed that:

- (i) for credit agreements, the purpose of which is to acquire or retain rights in immovable property the credit is provided for a period of 20 years starting from the date of the initial drawdown, and that the final payment made by the consumer clears the balance of capital, interest and other charges, if any; in the case of credit agreements the purpose of which is not to acquire or retain rights in immovable property or which are drawn down by deferred debit cards or credit cards, this period shall be of one year;

- (ii) the capital is repaid by the consumer in equal monthly payments, commencing one month after the date of the initial drawdown. However, in cases where the capital must be repaid only in full, in a single payment, within each payment period, successive drawdowns and repayments of the entire capital by the consumer shall be assumed to occur over the period of one year. Interest and other charges shall be applied in accordance with those drawdowns and repayments of capital and as provided for in the credit agreement.

For the purposes of this paragraph, an open-ended credit agreement is a credit agreement without fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

(l) In the case of contingent liabilities or guarantees, the total amount of credit shall be deemed to be drawn down in full as a single amount at the earlier of:

- (i) the latest draw down date permitted under the credit agreement being the potential source of the contingent liability or guarantee; or
- (ii) in the case of a rolling credit agreement at the end of the initial period prior to the rollover of the agreement.

(m) In the case of shared equity credit agreements:

- (i) the payments by consumers shall be deemed to occur at the latest date or dates permitted under the credit agreement;
- (ii) percentage increases in value of the immovable property which secures the shared equity credit agreement, and the rate of any inflation index referred to in the agreement, shall be assumed to be a percentage equal to the higher of the current central bank target inflation rate or the level of inflation in the Member State where the immovable property is located at the time of conclusion of the credit agreement or 0% if those percentages are negative.

Annex II – European Standardised Information Sheet (ESIS)

EUROPEAN STANDARDISED INFORMATION SHEET (ESIS)

PART A

The text in this model shall be reproduced as such in the ESIS. Indications between square brackets shall be replaced with the corresponding information. Instructions for the creditor or, where applicable, credit intermediary on how to complete the ESIS are provided in Part B.

Wherever the words 'where applicable' are indicated, the creditor shall provide the information required if it is relevant to the credit agreement. Where the information is not relevant, the creditor shall delete the information in question or the entire section (for example, in cases where the section is not applicable). Where the entire section is deleted, the numbering of the ESIS sections shall be adjusted accordingly.

The information below shall be provided in a single document. The font used shall be clearly readable. Bold font, shading or larger font sizes shall be used for the information elements to be highlighted. All applicable risk warnings shall be highlighted.

ESIS Model

(Introductory text)

This document was produced for [name of consumer] on [current date].

This document was produced on the basis of the information that you have provided so far and on the current financial market conditions.

The information below remains valid until [validity date], (where applicable) apart from the interest rate and other costs. After that date, it may change in line with market conditions.

(Where applicable) This document does not constitute an obligation for [name of creditor] to grant you a loan.

1. Lender

[Name]

[Telephone number]

[Geographical address]

(Optional) [E-mail address]

(Optional) [Fax number]

(Optional) [Web address]

(Optional) [Contact person/point]

(Where applicable information as to whether advisory services are being provided:) [(We recommend, having assessed your needs and circumstances, that you take out this mortgage./We are not recommending a particular mortgage for you. However, based on your answers to some questions, we are giving you information about this mortgage so that you can make your own choice.)]

2. (Where applicable) Credit intermediary

[Name]

[Telephone number]

[Geographical address]

(Optional) [E-mail address]

(Optional) [Fax number]

(Optional) [Web address]

(Optional) [Contact person/point]

(Where applicable [information as to whether advisory services are being provided]) [(We recommend, having assessed your needs and circumstances, that you take out this mortgage./We are not recommending a particular mortgage for you. However, based on your answers to some questions, we are giving you information about this mortgage so that you can make your own choice.)]

[Remuneration]

3. Main features of the loan

Amount and currency of the loan to be granted: [value] [currency]

(Where applicable) This loan is not in [national currency of the borrower].

(Where applicable) The value of your loan in [national currency of the borrower] could change.

(Where applicable) For example, if the value of [national currency of the borrower] fell by 20% relative to [credit currency], the value of your loan would increase to [insert amount in national currency of the borrower]. However, it could be more than this if the value of [national currency of the borrower] falls by more than 20%.

(Where applicable) The maximum value of your loan will be [insert amount in national currency of the borrower]. (Where applicable) You will receive a warning if the credit amount reaches [insert amount in national currency of the borrower]. (Where applicable) You will have the opportunity to [insert right to renegotiate foreign currency loan or right to convert loan into [relevant currency] and conditions].

Duration of the loan: [duration]

[Type of loan]

[Type of applicable interest rate]

Total amount to be reimbursed:

This means that you will pay back [amount] for every [unit of the currency] borrowed.

(Where applicable) [This/Part of this] is an interest-only loan. You will still owe [insert amount of loan on an interest- only basis] at the end of the mortgage term.

(Where applicable) Value of the property assumed to prepare this information sheet: [insert amount]

(Where applicable) Maximum available loan amount relative to the value of the property [insert ratio] or Minimum value of the property required to borrow the illustrated amount [insert amount]

(Where applicable) [Security]

4. Interest rate and other costs

The annual percentage rate of charge (APRC) is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you to compare different offers.

The APRC applicable to your loan is [APRC].

It comprises:

Interest rate [value in percentage or, where applicable, indication of a reference rate and percentage value of creditor's spread]

[Other components of the APRC]

Costs to be paid on a one-off basis

(Where applicable) You will need to pay a fee to register the mortgage. [Insert amount of fee where known or basis for calculation.]

Costs to be paid regularly

(Where applicable) This APRC is calculated using assumptions regarding the interest rate.

(Where applicable) Because [part of] your loan is a variable interest rate loan, the actual APRC could be different from this APRC if the interest rate for your loan changes. For example, if the interest rate rose to [scenario as described in Part B], the APRC could increase to [insert illustrative APRC corresponding to the scenario].

(Where applicable) Please note that this APRC is calculated on the basis that the interest rate remains at the level fixed for the initial period throughout the duration of the contract.

(Where applicable) The following costs are not known to the lender and are therefore not included in the APRC: [Costs]

(Where applicable) You will need to pay a fee to register the mortgage.

Please make sure that you are aware of all other taxes and costs associated with your loan.

5. Frequency and number of payments

Repayment frequency: [frequency]

Number of payments: [number]

6. Amount of each instalment

[Amount] [currency]

Your income may change. Please consider whether you will still be able to afford your [frequency] repayment instalments if your income falls.

(Where applicable) Because [this/part of this] is an interest-only loan you will need to make separate arrangements to repay the [insert amount of loan on an interest-only basis] you will owe at the end of the mortgage term. Remember to add any extra payments you will need to make to the instalment amount shown here.

(Where applicable) The interest rate on [part of] this loan can change. This means the amount of your instalments could increase or decrease. For example, if the interest rate rose to [scenario as described in Part B] your payments could increase to [insert instalment amount corresponding to the scenario].

(Where applicable) The value of the amount you have to pay in [national currency of the borrower] each [frequency of instalment] could change. (Where applicable) Your payments could increase to [insert maximum amount in national currency of the borrower] each [insert period]. (Where applicable) For example, if the value of [national currency of the borrower] fell by 20% relative to [credit currency] you would have to pay an extra [insert amount in national currency of the borrower] each [insert period]. Your payments could increase by more than this.

(Where applicable) The exchange rate used for converting your repayment in [credit currency] to [national currency of the borrower] will be the rate published by [name of institution publishing exchange rate] on [date] or will be calculated on [date] using [insert name of benchmark or method of calculation].

(Where applicable) [Details on tied savings products, deferred-interest loans]

7. (Where applicable) Illustrative repayment table

This table shows the amount to be paid every [frequency].

The instalments (column [relevant no.]) are the sum of interest to be paid (column [relevant no.]), where applicable, capital paid (column [relevant no.]) and, where applicable, other costs (column [relevant no.]). (Where applicable) The costs in the other costs column relate to [list of costs]. Outstanding capital (column [relevant no.]) is the amount of the loan that remains to be reimbursed after each instalment.

[Table]

8. Additional obligations

The borrower must comply with the following obligations in order to benefit from the lending conditions described in this document.

[Obligations]

(Where applicable) Please note that the lending conditions described in this document (including the interest rate) may change if these obligations are not complied with.

(Where applicable) Please note the possible consequences of terminating at a later stage any of the ancillary services relating to the loan:

[Consequences]

9. Early repayment

You have the possibility to repay this loan early, either fully or partially.

(Where applicable) [Conditions]

(Where applicable) Exit charge: [insert amount or, where not possible, the method of calculation]

(Where applicable) Should you decide to repay this loan early, please contact us to ascertain the exact level of the exit charge at that moment.

10. Flexible features

(Where applicable) [Information on portability/subrogation] You have the possibility to transfer this loan to another [lender][or] [property]. [Insert conditions]

(Where applicable) You do not have the possibility to transfer this loan to another [lender] [or] [property].

(Where applicable) Additional features: [insert explanation of additional features listed in Part B and, optionally, any other features offered by the lender as part of the

credit agreement not referred to in previous sections].

11. Other rights of the borrower

(Where applicable) You have [length of reflection period] after [point in time when the reflection period begins] to reflect before committing yourself to taking out this loan. (Where applicable) Once you have received the credit contract from the lender, you may not accept it before the end of [length of reflection period].

(Where applicable) For a period of [length of withdrawal period] after [point in time when the withdrawal period begins] you may exercise your right to cancel the agreement. [Conditions] [Insert procedure]

(Where applicable) You may lose your right to cancel the agreement if, during that period, you buy or sell a property connected to this credit agreement.

(Where applicable) Should you decide to exercise your right of withdrawal [from the credit agreement], please verify whether you will remain bound by your other obligations relating to the loan [including the ancillary services relating to the loan] [referred to in Section 8].

12. Complaints

If you have a complaint please contact [insert internal contact point and source of information on procedure].

(Where applicable) Maximum time for handling the complaint [period of time]

(Where applicable) [If we do not resolve the complaint to your satisfaction internally,] you can also contact: [insert name of external body for out-of-court complaints and redress] (Where applicable) or you can contact FIN-NET for details of the equivalent body in your own country.

13. Non-compliance with the commitments linked to the loan: consequences for the borrower

[Types of non-compliance]

[Financial and/or legal consequences]

Should you encounter difficulties in making your [frequency] payments, please contact us straight away to explore possible solutions.

(Where applicable) As a last resort, your home may be repossessed if you do not keep up with payments.

(Where applicable)

14. Additional information

(Where applicable) [Indication of the law applicable to the credit contract].

(Where the lender intends to use a language different from the language of the ESIS) Information and contractual terms will be supplied in [language]. With your consent, we intend to communicate in [language/s] during the duration of the credit agreement.

[Insert statement on right to be provided with or offered, as applicable, a draft credit agreement]

15. Supervisor

This lender is supervised by [Name(s), and web address(es) of supervisory authority/ies]

(Where applicable) This credit intermediary is supervised by [Name and web

address of supervisory authority].

PART B

Instructions to complete the ESIS

In completing the ESIS, at least the following instructions shall be followed. Member States may however elaborate or further specify the instructions for completing the ESIS.

Section 'Introductory text'

(1) The validity date shall be properly highlighted. For the purpose of this section, the 'validity date' means the length of time the information, e.g. the borrowing rate, contained in the ESIS will remain unchanged and will apply should the creditor decide to grant the credit within this period of time. Where the determination of the applicable borrowing rate and other costs depends on the results of the selling of underlying bonds, the eventual borrowing rate and other costs may be different from those stated. In those circumstances only, it shall be stipulated that the validity date does not apply to the borrowing rate and other costs by adding the words: 'apart from the interest rate and other costs'.

Section '1. Lender'

(1) Name, telephone number, and geographical address of the creditor shall refer to the contact information that the consumer may use for future correspondence.

(2) Information on the e-mail address, fax number, web address and contact person/point is optional.

(3) In line with Article 3 of Directive 2002/65/EC, where the transaction is being offered at a distance, the creditor shall indicate, where applicable, the name and geographical address of its representative in the Member State of residence of the consumer. Indication of the telephone number, e-mail address and web address of the representative of the credit provider is optional.

(4) Where Section 2 is not applicable, the creditor shall inform the consumer whether advisory services are being provided and on what basis using the wording in Part A.

(Where applicable) Section '2. Credit intermediary'

Where the product information is being provided to the consumer by a credit intermediary, that intermediary shall include the following information:

(1) Name, telephone number and geographical address of the credit intermediary shall refer to the contact information that the consumer may use for future correspondence.

(2) Information on the e-mail address, fax number, web address and contact person/point is optional.

(3) The credit intermediary shall inform the consumer whether advisory services are being provided and on what basis using the wording in Part A.

(4) An explanation of how the credit intermediary is being remunerated. Where it is receiving commission from a creditor, the amount and, where different from the name in Section 1, the name of the creditor shall be provided.

Section '3. Main features of the loan'

(1) This section shall clearly explain the main characteristics of the credit, including the value and currency and the potential risks associated with the

borrowing rate, including the ones referred to in sub-paragraph (8), and amortisation structure.

(2) Where the credit currency is different from the national currency of the consumer, the creditor shall indicate that the consumer will receive a regular warning at least when the exchange rate fluctuates by more than 20%, where applicable the right to convert the currency of the credit agreement or to the possibility to renegotiate the conditions and any other arrangements available to the consumer to limit their exposure to exchange rate risk. Where there is a provision in the credit agreement to limit the exchange rate risk, the creditor shall indicate the maximum amount the consumer could have to pay back. Where there is no provision in the credit agreement to limit the exchange rate risk to which the consumer is exposed to a fluctuation in the exchange rate of less than 20%, the creditor shall indicate an illustration of the effect of a 20% fall in the value of consumer's national currency relative to the credit currency on the value of the credit.

(3) The duration of the credit shall be expressed in years or months, whichever is the most relevant. Where the duration of the credit can vary during the lifetime of the contract, the creditor shall explain when and under which conditions this can occur. Where the credit is open-ended, for example, for a secured credit card, the creditor shall clearly state that fact.

(4) The type of credit shall be clearly indicated (e.g. mortgage credit, home loan, secured credit card). The description of the type of credit shall clearly indicate how the capital and the interest shall be reimbursed during the life of the credit (i.e. the amortisation structure), specifying clearly whether the credit agreement is on capital repayment or interest-only basis, or a mixture of the two.

(5) Where all or part of the credit is an interest-only credit, a statement clearly indicating that fact shall be inserted prominently at the end of this section using the wording in Part A.

(6) This section shall explain whether the borrowing rate is fixed or variable and, where applicable, the periods during which it will remain fixed; the frequency of subsequent revisions and the existence of limits to the borrowing rate variability, such as caps or floors.

The formula used to revise the borrowing rate and its different components (e.g. reference rate, interest rate spread) shall be explained. The creditor shall indicate, e.g. by means of a web address, where further information on the indices or rates used in the formula can be found, e.g. Euribor or central bank reference rate.

(7) If different borrowing rates apply in different circumstances, the information shall be provided on all applicable rates.

(8) The 'total amount to be reimbursed' corresponds to the total amount payable by the consumer. It shall be shown as the sum of the credit amount and the total cost of the credit to the consumer. Where the borrowing rate is not fixed for the duration of the contract, it shall be highlighted that this amount is illustrative and may vary in particular in relation with the variation in the borrowing rate.

(9) Where the credit will be secured by a mortgage on the immovable property or another comparable security or by a right related to immovable property, the creditor shall draw the consumer's attention to this. Where applicable the creditor shall indicate the assumed value of the immovable property or other security used for the purpose of preparing this information sheet.

(10) The creditor shall indicate, where applicable, either:

(a) 'maximum available loan amount relative to the value of the property',

indicating the loan-to-value ratio. This ratio is to be accompanied by an example in absolute terms of the maximum amount that can be borrowed for a given property value; or

- (b) the 'minimum value of the property required by the creditor to lend the illustrated amount'.

(11) Where credits are multi-part credits (e.g. concurrently part fixed rate, part variable rate), this shall be reflected in the indication of the type of credit and the required information shall be given for each part of the credit.

Section '4. Interest rate' and other costs

- (1) The reference to 'interest rate' corresponds to the borrowing rate or rates.

(2) The borrowing rate shall be mentioned as a percentage value. Where the borrowing rate is variable and based on a reference rate the creditor may indicate the borrowing rate by stating a reference rate and a percentage value of creditor's spread. The creditor shall however indicate the value of the reference rate valid on the day of issuing the ESIS.

Where the borrowing rate is variable the information shall include: (a) the assumptions used to calculate the APRC; (b) where relevant, the applicable caps and floors and (c) a warning that the variability could affect the actual level of the APRC. In order to attract the consumer's attention the font size used for the warning shall be bigger and shall figure prominently in the main body of the ESIS. The warning shall be accompanied by an illustrative example on the APRC. Where there is a cap on the borrowing rate, the example shall assume that the borrowing rate rises at the earliest possible opportunity to the highest level foreseen in the credit agreement. Where there is no cap the example shall illustrate the APRC at the highest borrowing rate in at least the last 20 years, or where the underlying data for the calculation of the borrowing rate is available for a period of less than 20 years the longest period for which such data is available, based on the highest value of any external reference rate used in calculating the borrowing rate where applicable or the highest value of a benchmark rate specified by a competent authority or EBA where the creditor does not use an external reference rate. Such requirement shall not apply to credit agreements where the borrowing rate is fixed for a material initial period of several years and may then be fixed for a further period following negotiation between the creditor and the consumer. For credit agreements where the borrowing rate is fixed for a material initial period of several years and may then be fixed for a further period following negotiation between the creditor and the consumer, the information shall include a warning that the APRC is calculated on the basis of the borrowing rate for the initial period. The warning shall be accompanied by an additional, illustrative APRC calculated in accordance with regulation 21(4). Where credits are multi-part credits (e.g. concurrently part fixed rate, part variable rate), the information shall be given for each part of the credit.

(3) In the section on 'other components of the APRC' all the other costs contained in the APRC shall be listed, including one-off costs such as administration fees, and regular costs, such as annual administration fees. The creditor shall list each of the costs by category (costs to be paid on a one-off basis, costs to be paid regularly and included in the instalments, costs to be paid regularly but not included in the instalments), indicating their amount, to whom they are to be paid and when. This does not have to include costs incurred for breaches of contractual obligations. Where the amount is not known, the creditor shall provide an indication of the amount if possible, or if not possible, how the amount will be calculated and specify that the amount provided is indicative only. Where certain costs are not included in the APRC because they are unknown to the creditor, this shall be highlighted.

Where the consumer has informed the creditor of one or more components of his preferred credit, such as the duration of the credit agreement and the total amount of credit, the creditor shall, where possible, use those components; if a credit agreement provides different ways of drawdown with different charges or borrowing rates and the creditor uses the assumptions set out in Part II of Annex I, it shall indicate that other drawdown mechanisms for this type of credit agreement may result in a higher APRC. Where the conditions for drawdown are used for calculating the APRC, the creditor shall highlight the charges associated with other drawdown mechanisms that are not necessarily the ones used in calculating the APRC.

(4) Where a fee is payable for registration of the mortgage or comparable security that shall be disclosed in this section with the amount, where known, or where this is not possible the basis for determining the amount. Where the fees are known and included in the APRC the existence and amount of the fee shall be listed under 'Costs to be paid on a one-off basis'. Where the fees are not known to the creditor and therefore not included in the APRC the existence of the fee shall be clearly mentioned in the list of costs which are not known to the creditor. In either case the standardised wording in Part A shall be used under the appropriate heading.

Section '5. Frequency and number of payments'

(1) Where payments are to be made on a regular basis, the frequency of payments shall be indicated (e.g. monthly). Where the frequency of payments will be irregular, this shall be clearly explained to the consumer.

(2) The number of payments indicated shall cover the whole duration of the credit.

Section '6. Amount of each instalment'

(1) The credit currency and currency of the instalments shall be clearly indicated.

(2) Where the amount of the instalments may change during the life of the credit, the creditor shall specify the period during which that initial instalment amount will remain unchanged and when and how frequently afterwards it will change.

(3) Where all or part of the credit is an interest-only credit, a statement clearly indicating that fact, shall be inserted prominently at the end of this section using the wording in Part A.

If there is a requirement for the consumer to take out a tied savings product as a condition for being granted an interest-only credit secured by a mortgage or another comparable security, the amount and frequency of any payments for this product shall be provided.

(4) Where the borrowing rate is variable the information shall include a statement indicating that fact, using the wording in Part A and an illustration of a maximum instalment amount. Where there is a cap, the illustration shall show the amount of the instalments if the borrowing rate rises to the level of the cap. Where there is no cap, the worst case scenario shall illustrate the level of instalments at the highest borrowing rate in the last 20 years, or where the underlying data for the calculation of the borrowing rate is available for a period of less than 20 years the longest period for which such data is available, based on the highest value of any external reference rate used in calculating the borrowing rate where applicable, or the highest value of a benchmark rate specified by a competent authority or EBA where the creditor does not use an external reference rate. The requirement to provide an illustrative example shall not apply to credit agreements where the borrowing rate is fixed for a material initial period of several years and may then be

fixed for a further period following negotiation between the creditor and the consumer. Where credits are multi-part credits (e.g. concurrently part fixed rate, part variable rate), the information shall be given for each part of the credit, and in total.

(5) (Where applicable) Where the credit currency is different from the consumer's national currency or where the credit is indexed to a currency which is different from the consumer's national currency, the creditor shall include a numerical example clearly showing how changes to the relevant exchange rate may affect the amount of the instalments using the wording in Part A. That example shall be based on a 20% reduction in the value of the consumer's national currency together with a prominent statement that the instalments could increase by more than the amount assumed in that example. Where there is a cap which limits that increase to less than 20%, the maximum value of the payments in the consumer's currency shall be given instead and the statement on the possibility of further increases omitted.

(6) Where the credit is fully or partly a variable rate credit and paragraph 3 applies, the illustration in paragraph 5 shall be given on the basis of the instalment amount referred to in paragraph 1.

(7) Where the currency used for the payment of instalments is different from the credit currency or where the amount of each instalment expressed in the consumer's national currency depends on the corresponding amount in a different currency, this section shall indicate the date at which the applicable exchange rate is calculated and either the exchange rate or the basis on which it will be calculated and the frequency of their adjustment. Where applicable such indication shall include the name of institution publishing the exchange rate.

(8) Where the credit is a deferred-interest credit under which interest due is not fully repaid by the instalments and is added to the total amount of credit outstanding, there shall be an explanation of: how and when deferred interest is added to the credit as a cash amount; and what the implications are for the consumer in terms of their remaining debt.

Section '7. Illustrative repayment table'

(1) This section shall be included where the credit is a deferred interest credit under which interest due is not fully repaid by the instalments and is added to the total amount of credit outstanding or where the borrowing rate is fixed for the duration of the credit agreement. Member States may provide that the illustrative amortisation table is compulsory in other cases.

Where the consumer has the right to receive a revised amortisation table, this shall be indicated along with the conditions under which the consumer has that right.

(2) Member States may require that where the borrowing rate may vary during the lifetime of the credit, the creditor shall indicate the period during which that initial borrowing rate will remain unchanged.

(3) The table to be included in this section shall contain the following columns: 'repayment schedule' (e.g. month 1, month 2, month 3), 'amount of the instalment', 'interest to be paid per instalment', 'other costs included in the instalment' (where relevant), 'capital repaid per instalment' and 'outstanding capital after each instalment'.

(4) For the first repayment year the information shall be given for each instalment and a subtotal shall be indicated for each of the columns at the end of that first year. For the following years, the detail can be provided on an annual basis. An overall total row shall be added at the end of the table and shall provide the total

amounts for each column. The total cost of the credit paid by the consumer (i.e. the overall sum of the 'amount of the instalment' column) shall be clearly highlighted and presented as such.

(5) Where the borrowing rate is subject to revision and the amount of the instalment after each revision is unknown, the creditor may indicate in the amortisation table the same instalment amount for the whole credit duration. In such a case, the creditor shall draw that fact to the attention of the consumer by visually differentiating the amounts which are known from the hypothetical ones (e.g. using a different font, borders or shading). In addition, a clearly legible text shall explain for which periods the amounts represented in the table may vary and why.

Section '8. Additional obligations'

(1) The creditor shall refer in this section to obligations such as the obligation to insure the immovable property, to purchase life insurance, to have a salary paid into an account with the creditor or to buy any other product or service. For each obligation, the creditor shall specify towards whom and by when the obligation needs to be fulfilled.

(2) The creditor shall specify the duration of the obligation, e.g. until the end of the credit agreement. The creditor shall specify for each obligation any costs to be paid by the consumer, which are not included in the APRC.

(3) The creditor shall state whether it is compulsory for the consumer to hold any ancillary services to obtain the credit on the stated terms, and if so whether the consumer is obliged to purchase them from the creditor's preferred supplier or whether they may be purchased from a provider of consumer's choice. Where such possibility is conditional on the ancillary services meeting certain minimum characteristics, such characteristics shall be described in this section.

Where the credit agreement is bundled with other products the creditor shall state the key features of those other products and clearly state whether the consumer has a right to terminate the credit agreement or the bundled products separately, the conditions for and implications of doing so, and, where applicable, of the possible consequences of terminating the ancillary services required in connection with the credit agreement.

Section '9. Early repayment'

(1) The creditor shall indicate under what conditions the consumer can repay the credit early, either fully or partially.

(2) In the section on exit charges the creditor shall draw the consumer's attention to any exit charge or other costs payable on early repayment in order to compensate the creditor and where possible indicate their amount. In cases where the amount of compensation would depend on different factors, such as the amount repaid or the prevailing interest rate at the moment of the early repayment, the creditor shall indicate how the compensation will be calculated and provide the maximum amount that the charge might be, or where this is not possible, an illustrative example in order to demonstrate to the consumer the level of compensation under different possible scenarios.

Section '10. Flexible features'

(1) Where applicable, the creditor shall explain the possibility to and conditions for transferring the credit to another creditor or immovable property.

(2) (Where appropriate) Additional features: Where the product contains any of the features listed in paragraph 5, this section must list these features and provide a brief explanation of: the circumstances in which the consumer can use the feature;

any conditions attached to the feature; if the feature being part of the credit secured by a mortgage or comparable security means that the consumer loses any statutory or other protections usually associated with the feature; and the firm providing the feature (if not the creditor).

(3) If the feature contains any additional credit, then this section must explain to the consumer: the total amount of credit (including the credit secured by the mortgage or comparable security); whether the additional credit is secured or not; the relevant borrowing rates; and whether it is regulated or not. Such additional credit amount shall either be included in the original creditworthiness assessment or, if it is not, this section shall make clear that the availability of the additional amount is dependent on a further assessment of the consumer's ability to repay.

(4) If the feature involves a savings vehicle, the relevant interest rate must be explained.

(5) The possible additional features are: 'Overpayments/Underpayments' [paying more or less than the instalment ordinarily required by the amortisation structure]; 'Payment holidays' [periods where the consumer is not required to make payments]; 'Borrow back' [ability for the consumer to borrow again funds already drawn down and repaid]; 'Additional borrowing available without further approval'; 'Additional secured or unsecured borrowing' [in accordance with paragraph 3 above]; 'Credit card'; 'Linked current account'; and 'Linked savings account'.

(6) The creditor may include any other features offered by the creditor as part of the credit agreement not mentioned in previous sections.

Section '11. Other rights of the borrower'

(1) The creditor shall clarify the right(s) of e.g. withdrawal or reflection and where applicable other rights such as, portability (including subrogation) that exist, specify the conditions to which this/these right(s) is subject, the procedure that the consumer will need to follow in order to exercise this/these right(s), inter alia, the address to which the notification of withdrawal shall be sent, and the corresponding fees (where applicable).

(2) Where a reflection period or right of withdrawal for the consumer applies this shall be clearly mentioned.

(3) In line with Article 3 of Directive 2002/65/EC, where the transaction is being offered at a distance, the consumer shall be informed of the existence or absence of a right of withdrawal.

Section '12. Complaints'

(1) This Section shall indicate the internal contact point [name of the relevant department] and a means of contacting them to complain [Geographical address] or [Telephone number] or [Contact person:] [contact details] and a link to the complaints procedure on the relevant page of a website or similar information source.

(2) It shall indicate the name of the relevant external body for out-of-court complaints and redress and where using the internal complaint procedure is a precondition for access to that body, indicate that fact using the wording in Part A.

(3) In the case of credit agreements with a consumer who is resident in another Member State, the creditor shall refer to the existence of FIN-NET (http://ec.europa.eu/internal_market/fin-net/).

Section '13. Non-compliance with the commitments linked to the credit: consequences for the borrower'

(1) Where non-observance of any of the consumer's obligations linked to the credit may have financial or legal consequences for the consumer, the creditor shall describe in this section the different main cases (e.g. late payments/ default, failure to respect the obligations set out in Section 8 'Additional obligations') and indicate where further information could be obtained.

(2) For each of those cases, the creditor shall specify, in clear, easy comprehensible terms, the sanctions or consequences to which they may give rise. Reference to serious consequences shall be highlighted.

(3) Where the immovable property used to secure the credit may be returned or transferred to the creditor, if the consumer does not comply with the obligations, this section shall include a statement indicating that fact, using the wording in Part A.

Section '14. Additional information'

(1) In the case of distance marketing, this section will include any clause stipulating the law applicable to the credit agreement or the competent court.

(2) Where the creditor intends to communicate with the consumer during the life of the contract in a language different from the language of the ESIS that fact shall be included and the language of communication named. This is without prejudice to sub-paragraph (g) of sub-paragraph 3 of paragraph 1 of Article 3 of Directive 2002/65/EC.

(3) The creditor or credit intermediary shall state the consumer's right to be provided with or offered, as applicable, a copy of the draft credit agreement at least once an offer binding on the creditor has been made.

Section '15. Supervisor'

(1) The relevant authority or authorities for the supervision of the pre-contractual stage of lending shall be indicated.

Annex III – Calculation of the APRC for Consumer Credit Agreements

- I. The basic equation expressing the equivalence of drawdowns on the one hand and repayments and charges on the other.

The basic equation, which establishes the annual percentage rate of charge (APR), equates, on an annual basis, the total present value of drawdowns on the one hand and the total present value of repayments and payments of charges on the other hand, i.e.:

$$\sum_{k=1}^m C_k (1 + X)^{-t_k} = \sum_{l=1}^{m'} D_l (1 + X)^{-s_l}$$

where:

– X	is the APR,
– m	is the number of the last drawdown,
– k	is the number of a drawdown, thus $1 \leq k \leq m$,
– C_k	is the amount of drawdown k,
– t_k	is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each subsequent drawdown, thus $t_1 = 0$,
– m'	is the number of the last repayment or payment of charges,
– l	is the number of a repayment or payment of charges,
– D_l	is the amount of a repayment or payment of charges,
– s_l	is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each repayment or payment of charges.

Remarks

- The amounts paid by both parties at different times shall not necessarily be equal and shall not necessarily be paid at equal intervals.
- The starting date shall be that of the first drawdown.
- Intervals between dates used in the calculations shall be expressed in years or in fractions of a year. A year is presumed to have 365 days (or 366 days for leap years), 52 weeks or 12 equal months. A month is presumed to have 30,41666 days (i.e. $365/12$) regardless of whether or not it is a leap year.

Where intervals between dates used in the calculations cannot be expressed as a whole number of weeks, months or years, the intervals shall be expressed as a whole number of one of those periods in combination with a number of days. When using days:

- every day shall be counted, including weekends and holidays;
 - equal periods and then days shall be counted backwards to the date of the initial drawdown;
 - the length of the period of days shall be obtained excluding the first day and including the last day and shall be expressed in years by dividing this period by the number of days (365 or 366) of the complete year counted backwards from the last day to the same day of the previous year.
- The result of the calculation shall be expressed with an accuracy of at least one decimal place. If the figure at the following decimal place is greater than or equal to 5, the figure at that particular decimal place shall be increased by one.

- (e) The equation can be rewritten using a single sum and the concept of flows (A_k), which can be positive or negative, in other words either paid or received during periods 1 to n, expressed in years, i.e.:

$$S = \sum_{k=1}^n A_k (1 + X)^{-t_k}$$

where S is the present balance of flows. If the aim is to maintain the equivalence of flows, the value of S will be zero.

II. The additional assumptions for calculating the APR shall be as follows.

- (a) Where a credit agreement gives the consumer freedom of drawdown, the total amount of credit shall be deemed to be drawn down immediately and in full.
- (b) Where a credit agreement gives the consumer freedom of drawdown in general but imposes, amongst the different ways of drawing down, a limitation with regard to the amount of credit and period of time, the amount of credit shall be deemed to be drawn down on the earliest date fixed in the credit agreement and in accordance with those drawdown limits.
- (c) Where a credit agreement provides different ways of drawing down with different charges or borrowing rates, the total amount of credit shall be deemed to be drawn down at the highest charge and borrowing rate applied to the most common drawdown mechanism for that type of credit agreement.
- (d) In the case of an overdraft facility, the total amount of credit shall be deemed to be drawn down in full and for the whole duration of the credit agreement. If the duration of the overdraft facility is not known, the APR shall be calculated on the assumption that the duration of the credit is three months.
- (e) In the case of an open-end credit agreement, other than an overdraft facility, it shall be assumed that:
 - (i) the credit is provided for a period of one year starting from the date of the initial drawdown, and that the final payment made by the consumer clears the balance of capital, interest and other charges, if any;
 - (ii) the capital is repaid by the consumer in equal monthly payments, starting one month after the date of the initial drawdown. However, in cases where the capital must be repaid only in full in a single payment, within each payment period, successive drawdowns and repayments of the entire capital by the consumer shall be assumed to occur over the period of one year. Interest and other charges shall be applied in accordance with those drawdowns and repayments of capital and as set out in the credit agreement.

For the purposes of this point, an open-end credit agreement is a credit agreement without a fixed duration and includes credits that must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

- (f) In the case of credit agreements other than overdrafts and open-end credit agreements as referred to in the assumptions set out in points (d) and (e):
 - (i) where the date or amount of a repayment of capital to be made by the consumer cannot be ascertained, it shall be assumed that the repayment is made at the earliest date provided for in the credit agreement and is for the lowest amount for which the credit agreement provides;
 - (ii) where the interval between the date of initial drawdown and the date of the first payment to be made by the consumer cannot be ascertained, it shall be assumed to be the shortest interval.

- (g) Where the date or amount of a payment to be made by the consumer cannot be ascertained on the basis of the credit agreement or the assumptions set out in point (d), (e) or (f), it shall be assumed that the payment is made in accordance with the dates and conditions required by the creditor and, when those dates and conditions are unknown:
 - (i) interest charges are paid together with the repayments of capital;
 - (ii) a non-interest charge expressed as a single sum is paid at the date of the conclusion of the credit agreement;
 - (iii) non-interest charges expressed as several payments are paid at regular intervals, starting with the date of the first repayment of capital, and where the amount of such payments is not known they shall be assumed to be equal amounts;
 - (iv) the final payment clears the balance of capital, interest and other charges, if any.
- (h) Where the ceiling applicable to the credit has not yet been agreed, it is assumed to be EUR 1 500.
- (i) Where different borrowing rates and charges are offered for a limited period or amount, the borrowing rate and the charges shall be deemed to be the highest rate for the whole duration of the credit agreement.
- (j) For credit agreements for consumers for which a fixed borrowing rate is agreed for the initial period, at the end of which a new borrowing rate is determined and subsequently periodically adjusted according to an agreed indicator, the calculation of the APR shall be based on the assumption that, at the end of the fixed borrowing rate period, the borrowing rate is the same as at the time of calculating the APR, based on the value of the agreed indicator at that time.

Annex IV –Credit Information Form (SECCI)

Key information

Part I [Always on the first page of the form]:

Creditor	[Identity]
Where applicable	
Credit intermediary	[Identity]
Total amount of credit <i>This means the ceiling or the total sums made available under the credit agreement.</i>	
Duration of the credit agreement	
The borrowing rate or, where applicable, different borrowing rates which apply to the credit agreement	[% — fixed, or — variable, — periods]
Annual percentage rate of charge (APR) <i>This is the total cost expressed as an annual percentage of the total amount of credit.</i> <i>The APR is there to help you compare different offers.</i>	
Total amount you will have to pay <i>This means the amount of borrowed capital plus interest and possible costs related to your credit.</i>	[Sum of total amount of credit and total cost of credit to the consumer]
Where applicable The credit is granted in the form of a deferred payment for specific goods or specific services or is linked to the supply of specific goods or the provision of specific services Name of good/service Cash price	
Costs in the case of late payments	You will be charged [... (applicable interest rate and arrangements for its adjustment and, where applicable, default charges)] for late payments.

(¹) Wherever 'where applicable' is indicated, the creditor must fill in the box if the information is relevant to the type of credit, or delete the information or the entire row where the information is not relevant for the type of credit concerned.
The explanations in italics should help the consumer to better understand the figures.
Indications between square brackets provide explanations for the creditor or the credit intermediary and must be replaced with the corresponding information.

Part II [If following elements cannot be displayed in a prominent way on one page, they shall be displayed in the first part of the form on the second page]:

Instalments and, where appropriate, the order in which instalments will be allocated	You will have to pay the following: [The amount, number and frequency of payments to be made by the consumer] Interest and/or charges will be payable in the following manner:
Warning regarding the consequences of missing or late payments <i>Missing or late payments could have severe consequences for you (e.g. forced sale) and make it more difficult for you to obtain credit in the future.</i>	
Right of withdrawal <i>You have the right to withdraw from the credit agreement within a period of 14 calendar days.</i>	Yes/no
Early repayment <i>You have the right to repay the credit early at any time fully or partially. Where applicable</i> The creditor is entitled to compensation in the case of early repayment.	Yes
Creditor Geographical address Telephone number Email address Web address (*)	
Where applicable Credit intermediary Geographical address Telephone number Email address Web address (*)	
(*) This information is optional.	

Additional information about the credit agreement

1. Description of the main features of the credit product

The type of credit	
The conditions governing the drawdown <i>This means how and when you will obtain the money.</i> Where applicable Other drawdown mechanisms for the relevant type of credit agreement may result in higher annual percentage rates of charge	[Where the credit agreement provides different ways of drawdown with different charges or borrowing rates and the creditor uses the assumption set out in Part II, point (b), of Annex III, include an indication that other drawdown mechanisms for the relevant type of credit agreement may result in higher annual percentage rates of charge]
Where applicable Sureties required <i>This is a description of the security to be provided by you in relation to the credit agreement.</i>	[Kind of sureties]
Where applicable Repayments do not give rise to immediate amortisation of the capital.	
Where applicable The price was personalised on the basis of automated decision-making.	

2. Costs of the credit

Where applicable The different borrowing rates that apply to the credit agreement	[% — fixed, or — variable (with the index or reference rate applicable to the initial borrowing rate), — periods, — conditions governing the application of each borrowing rate, — periods, conditions and procedures for changing each borrowing rate]
Representative example illustrating the annual percentage rate of charge (APR) and the total amount payable by the consumer	[% A representative example mentioning all the assumptions used for calculating the annual percentage rate of charge to be set out here]
Is it compulsory, in order to obtain the credit or to obtain it on the terms and conditions marketed, to take out — an insurance policy securing the credit, or — another ancillary service contract? <i>If the costs of these services are not known by the creditor, they are not included in the APR.</i>	Yes/no [if yes, specify the kind of insurance] Yes/no [if yes, specify the kind of ancillary service]

Related costs

Where applicable Charges for maintaining one or more accounts which are required for recording both payment transactions and drawdowns	
Where applicable Amount of costs for using a specific means of payment (e.g. a credit card)	
Where applicable Any other costs deriving from the credit agreement	
Where applicable Conditions under which the abovementioned costs related to the credit agreement can be changed	
Where applicable Obligation to pay notarial fees	

3. Other important legal aspects

Where applicable The creditor is entitled to compensation in the case of early repayment	[Determination of the compensation (calculation method) in accordance with the provisions implementing Article 29 of Directive (EU) 2023/2225 of the European Parliament and of the Council (*)]
Consultation of a database <i>The creditor must inform you immediately and without charge of the result of consulting a database, if a credit application is rejected on the basis of such a consultation.</i>	
Right to a draft credit agreement <i>You have the right, upon request, to obtain a copy of the draft credit agreement free of charge. This provision applies if the creditor is willing, at the time of your request, to proceed to the conclusion of the credit agreement with you.</i>	
Where applicable The period of time during which the creditor is bound by the pre-contractual information	The information contained in this form is valid from [...] until [...].
Concerning redress <i>You have the right to access an out-of-court complaint and redress mechanism</i>	[The out-of-court complaint and redress mechanism for the consumer and how to access it]

Warning regarding the legal and financial consequences of non-compliance <i>Non-compliance with the commitments linked to the credit agreement other than late or missed payments could have severe consequences for you.</i>	
Repayment schedule	[Repayment schedule containing all payments and repayments to be made by the consumer over the duration of the credit agreement, including the payments for any ancillary services]

(¹) 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 (OJ L, 2023/2225, 30.10.2023, ELI: <http://data.europa.eu/eli/dir/2023/2225/oj>).

Where applicable

4. Additional information in the case of the distance marketing of financial services

(a) Concerning the creditor	
Where applicable	[Identity]
Representative of the creditor in your Member State of residence	[Geographical address to be used by the consumer]
Address	
Telephone number	
Email address	
Web address (*)	
Where applicable	[The trade register in which the creditor is entered and their registration number or an equivalent means of identification in that register]
Registration	
Where applicable	
The supervisory authority	
(b) Concerning the credit agreement	
Where applicable	[Practical instructions for exercising the right of withdrawal indicating, inter alia, the period for exercising the right, the address to which notification of exercise of the right of withdrawal should be sent and the consequences of not exercising the right of withdrawal]
Exercise of the right of withdrawal	
Where applicable	
The law taken by the creditor as the basis for the establishment of relations with you before the conclusion of the credit agreement	
Where applicable	[Relevant clause to be set out here]
Clause stipulating the law applicable to the credit agreement and/or the competent court	
Where applicable	Information and contractual terms will be supplied in [specific language]. With your consent, we intend to communicate in [specific language/languages] for the duration of the credit agreement.
Language regime	

(*) This information is optional for the creditor.

Annex V – European Consumer Credit Information Form

Debt conversion (Article 2(7) of Directive (EU) 2023/2225)

Key information

Part I [Always on the first page of the form]:

Creditor	[Identity]
Where applicable Credit intermediary	[Identity]
The total amount of credit <i>This means the ceiling or the total sums made available under the credit agreement.</i>	
The duration of the credit agreement	
The borrowing rate or, where applicable, different borrowing rates which apply to the credit agreement	[% — fixed, or — variable, — periods]
Annual percentage rate of charge (APR) <i>This is the total cost expressed as an annual percentage of the total amount of credit. The APR is there to help you compare different offers.</i>	
The total amount you will have to pay <i>This means the amount of borrowed capital plus interest and possible costs related to your credit.</i>	[Sum of total amount of credit and total cost of credit to the consumer]
Where applicable The credit is granted in the form of a deferred payment for specific goods or specific services or is linked to the supply of specific goods or the provision of specific services Name of good/service Cash price	

(¹) Wherever 'where applicable' is indicated, the creditor must fill in the box if the information is relevant to the type of credit, or delete the information or the entire row where the information is not relevant for the type of credit concerned.
The explanations in italics should help the consumer to better understand the figures.

Indications between square brackets provide explanations for the creditor or the credit intermediary and must be replaced with the corresponding information.

(²) 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 (OJ L, 2023/2225, 30.10.2023, ELI: <http://data.europa.eu/eli/dir/2023/2225/oj>).

Costs in the case of late payments	You will be charged [...] (applicable interest rate and arrangements for its adjustment and, where applicable, default charges) for late payments.
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Part II [If the following elements cannot be displayed in a prominent way on one page, they shall be displayed in the first part of the form on the second page]:

Instalments and, where appropriate, the order in which instalments will be allocated	You will have to pay the following: [The amount, number and frequency of payments to be made by the consumer] Interest and/or charges will be payable in the following manner:
Warning regarding the consequences of missing or late payments <i>Missing or late payments could have severe consequences for you (e.g. forced sale) and make it more difficult for you to obtain credit in the future.</i>	
Right of withdrawal	Yes/no
Early repayment <i>You have the right to repay the credit early at any time fully or partially.</i> Where applicable The creditor is entitled to compensation in the case of early repayment.	
Creditor Geographical address Telephone number Email address Web address (*)	
Where applicable Credit intermediary Geographical address Telephone number Email address Web address (*)	

(*) This information is optional.

Additional information about the credit agreement

1. Description of the main features of the credit product

The type of credit	
Where applicable Indication that the consumer may be requested to repay the amount of the credit in full at any time	
Where applicable The price was personalised on the basis of automated decision-making.	

2. Costs of the credit

Where applicable The different borrowing rates that apply to the credit agreement	[% — fixed, or — variable (with the index or reference rate applicable to the initial borrowing rate), — periods, — conditions governing the application of each borrowing rate]
Representative example illustrating the annual percentage rate of charge (APR) and the total amount payable by the consumer	[% A representative example mentioning all the assumptions used for calculating the annual percentage rate of charge to be set out here]
Where applicable Costs Where applicable The conditions under which those costs may be changed	[The costs applicable from the time the credit agreement is concluded]

3. Other important legal aspects

Termination of the credit agreement	[The conditions and procedure for terminating the credit agreement]
Where applicable The creditor is entitled to compensation in the case of early repayment	[Determination of the compensation (calculation method) in accordance with the provisions implementing Article 29 of Directive (EU) 2023/2225]
Consultation of a database <i>The creditor must inform you immediately and without charge of the result of consulting a database, if a credit application is rejected on the basis of such a consultation.</i>	
Where applicable The period of time during which the creditor is bound by the pre-contractual information	The information contained in this form is valid from [...] until [...].

Concerning redress <i>You have the right to access an out-of-court complaint and redress mechanism.</i>	[The out-of-court complaint and redress mechanism for the consumer and how to access it]
Warning regarding the legal and financial consequences of non-compliance <i>Non-compliance with the commitments linked to the credit agreement other than late or missed payments could have severe consequences for you.</i>	
Repayment schedule	[Repayment schedule containing all payments and repayments to be made by the consumer over the duration of the contract, including those payments for any ancillary services]

Where applicable

4. Additional information in the case of the distance marketing of financial services

(a) Concerning the creditor	
Where applicable Representative of the creditor in your Member State of residence Address Telephone number Email address Web address (*)	[Identity] [Geographical address to be used by the consumer]
Where applicable Registration	[The trade register in which the creditor is entered and their registration number or an equivalent means of identification in that register]
Where applicable The supervisory authority	
(b) Concerning the credit agreement	
Where applicable Exercise of the right of withdrawal	[Practical instructions for exercising the right of withdrawal indicating, inter alia, the withdrawal period, the address to which notification of exercise of the right of withdrawal should be sent and the consequences of not exercising the right of withdrawal]
Where applicable The law taken by the creditor as a basis for the establishment of relations with you before the conclusion of the credit agreement	

Where applicable Clause stipulating the law applicable to the credit agreement and/or the competent court	[Relevant clause to be set out here]
Where applicable Language regime	Information and contractual terms will be supplied in [specific language]. With your consent, we intend to communicate in [specific language/languages] for the duration of the credit agreement.

(*) This information is optional for the creditor.

Annex VI – List of the most representative Services linked to a Payment Account

	Term	Definition
1	Maintaining the account	The Regulated Person operates the account for use by the Client.
2	Subscribing or renewing internet, mobile and telephone banking	The Regulated Person provides the Client with access for banking services using the internet, mobile or telephone.
3	Requesting statements	The Client requests bank statements, in paper or on other Durable Medium, over and above those which the Regulated Person is required to send by law.
4	Cash withdrawal or deposit	The Client requests to deposit or withdraw cash in or from an account.
5	Standing order	The Regulated Person makes regular transfers, on the instruction of the Client, of a fixed amount of money from the Client's account to another account.
6	Providing and renewing a debit card	The Regulated Person provides a payment card linked to the Client's account, enabling the latter to withdraw and pay, locally, abroad, and even online. The amount of each transaction made using the card is taken directly and in full from the Client's account.
7	Providing and renewing a credit card	The Regulated Person provides a payment card linked to the Client's payment account. The total amount of the transactions made using the card during an agreed period is taken either in full or in part from the Client's payment account on an agreed date. A Credit Agreement between the Regulated Person and the Client determines whether interest will be charged to the Client for the borrowing.
8	Making payments using an international debit or credit card	The Regulated Person enables the Client to make payments using an international debit or credit card.
9	Making payments using a local debit or credit card	The Regulated Person only enables the Client to make local payments using a local debit or credit card.
10	Replacing a card	The Client requests a replacement of a card that was lost, stolen or damaged.

- | | | |
|----|--|--|
| 11 | Depositing and encashing a cheque | The Client presents a cheque, whether local or international, for deposit or encashment. |
| 12 | Stopping a cheque | The Client asks the Regulated Person to stop the encashment of a cheque issued by that Client. |
| 13 | Sending money in Euro to other accounts in the Single Euro Payments Area | The Regulated Person transfers money, in Euros, on the instruction of the Client, from the Client's account to another account in a SEPA country |
| 14 | Sending money in other currencies to any other account | The Regulated Person transfers money, in non-euro currencies, on the instruction of the Client, from the Client's account to another account. |
| 15 | Receiving money – Euro | The Client receives money in Euros from Euro account |
| 16 | Receiving money – other currencies | The Client receives money in non-Euro currencies from non-Euro account |
| 17 | Arranged overdraft | The Regulated Person and the Client agree in advance that the Client may borrow money when there is no money left in the account. The agreement determines a maximum amount that can be borrowed, and whether fees and interest will be charged to the Client. |
| 18 | Direct Debit | The Client permits someone else (recipient) to instruct the Regulated Person to transfer money from the Client's account to that recipient. The Regulated Person then transfers money to the recipient on a date or dates agreed by the Client and the recipient. The amount may vary. |

Annex VII – Fee Information Document



Fee Information Document



Name of the account provider:

Account name:

Date:

- This document informs you about the fees for using the main services linked to the payment account. It will help you to compare these fees with those of other accounts.
- Fees may also apply for using services linked to the account which are not listed here. Full information is available in {specify names of the relevant pre-contractual and contractual documents}.
- A glossary of the terms used in this document is available free of charge.

Service	Fee
General account services	
[main service] [brand name]	[•]
Includes a package of services consisting of: Services beyond these quantities will be charged separately,	
Payments (excluding cards)	
	[•]
Cards and cash	
	[•]
Overdrafts and related services	
	[•]
Other services	
	[•]

Package of services	Fee
[brand name]	[•] [•]
Services beyond these quantities will be charged separately.	

Information on additional services	
Information on fees for services exceeding the quantity of services covered by the package of services (excluding fees listed above)	
Service	Fee
[brand name]	[•]

Comprehensive cost indicator	[•]
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Annex VIII – Statement of Fees

Statement of fees template



Statement of Fees



[Name of the account provider]

[Contact details of the account provider]

[Client name]

[Contact details]

Account	
Account identification	
Period	From to
Date	

- This document provides you with an overview of all the fees for services linked to your payment account during the period shown above.
- It also informs you about any interest you may have paid or earned during this time.
- Information on individual transactions and account balance can be found on your account statements.

Summary of fees and interest

Total fees paid (total package of services fees and total fees paid)	[•]
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Total interest paid	[•]
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Total interest earned	[•]
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Comprehensive cost indicator	[•]
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Detailed statement of fees paid on the account

Service		Fee		
Service	Number of times the service was used	Unit fee	Number of times the fee was charged	Total
General account services				
[•] Includes a package of services consisting of: Services beyond these quantities have been charged separately				[•]
Payments (excluding cards)				
				[•]
Cards and cash				
				[•]
Overdrafts and related services				
				[•]
Other services				
				[•]
Total fees paid				[•]

Detail of the fees included in the package of services

Package of services	Fee	Number of times the fee was charged
'Package service' [brand name, if applicable] Includes:	[•]	[•]
Services beyond these quantities have been charged separately.		

Detail of interest paid on the account

	Interest rate	Interest
		[•]
Total interest paid		[•]

Detail of interest earned on the account

	Interest rate	Interest
'Account name'		[•]
Total interest earned		[•]

Additional information [•]

Chapter 2 Marketing Rules

Introduction

Advertisements relating to Retail Products which are unclear, misleading or otherwise unfair may result in the Client suffering a financial loss or other form of damage. This Chapter establishes adequate rules and guidance on what information should be included in Advertisements shared through different channels.

The applicable framework should give Clients the confidence that Regulated Persons will take the necessary measures to advertise and market their products in a fair, clear and transparent manner which excludes any aggressive or misleading behavior. This is the over-arching principle which is set out through the general requirements brought forward in the opening sections of this Chapter, with specific reference to Regulated Persons' duties in issuing and approving Advertisements.

The Chapter subsequently addresses key requirements for prescribed warning statements and other information that must be included in different types of Advertisements. These include the concepts of advertisements implying cost reduction and the necessary disclosures in instances where the Advertisement of a Retail Product is provided in conjunction with specific tax treatments.

A number of rules addressing the misconduct relating to unfair Advertising or Marketing practices aim to ensure that Regulated Persons avoid certain actions which would otherwise be considered to be detrimental to the Client, distinguishing between the concepts of misleading and aggressive Advertising or Marketing practices.

Purposely, this Chapter is then split into four mutually exclusive sections to address particular requirements revolving around Advertising and Marketing rules applicable for specific Credit Agreements and those applicable for Payment Accounts and Deposit Accounts. Such requirements arising from these respective sections are to be considered in addition to the other requirements falling under the section titled 'General Rules'.

Finally, the provisions of this Chapter are without prejudice to:

- Any rights which may be available to retail Clients under the [Consumer Affairs Act](#), including provisions emanating from the [Unfair Commercial Practices Directive](#);
- Any responsibilities or obligations under other statutory or prudential requirements applicable in Malta and which apply to Regulated Persons; and
- The advertising standards as may be included in the Bye-Laws of the Malta Stock Exchange from time to time insofar as these apply to Regulated Persons listed on the Malta Stock Exchange.

Section 1: General Rules

General Requirements

- R.2.1.1 Unless otherwise stated, the rules set out in this Chapter shall apply to:
- a. any Advertisement or Information issued in or from Malta by the Regulated Person; and
 - b. any Advertisement or Information which is circulated, published, broadcasted or otherwise received in Malta.
- R.2.1.2 Advertisements shall be fair, clear and not misleading and shall be clearly identifiable as such, whereby Regulated Persons are to maintain a sense of responsibility to their Clients and to the financial system as a whole.
- Advertising by Regulated Persons should therefore respect the principles of fair competition as established by the laws of Malta and should not bring the financial sector into disrepute.
- R.2.1.3 Regulated Persons should ensure that the aims of Advertising should not only be to announce a Retail Product or Service, but also to provide all the necessary information for Clients to form an opinion on the Retail Product or Service being advertised and on the implications of entering into a business relationship with a Regulated Person during which both parties have to adhere to the highest ethical standards.
- R.2.1.4 Regulated Persons advertising Retail Products or Services shall be bound to ensure that the Advertisements contain the necessary requisites that enable judicious analysis by the Client aided by all the necessary background information.
- R.2.1.5 The format, including the language, to be used in the Advertisement should be such that it enables actual and prospective Clients to be fully aware of and conversant with the nature of the commitment which they would enter into once they respond to the Advertisement itself.
- R.2.1.6 In issuing, approving or disseminating Advertisements, the Regulated Person shall ensure that:
- a. the design, presentation and content of an Advertisement is clear, fair, accurate and not misleading such that any Client can reasonably be expected to know immediately that it is an Advertisement;
 - b. the advertisement is designed in a manner which makes reference to the fact that terms and conditions may be applicable and relevant fees apply in the main body of the advertisement;

- c. the Advertisement shall not seek to influence a Potential Client's attitude to the Advertised Retail Product or Service or the Regulated Person either by ambiguity, exaggeration or omission;
- d. the nature and type of the advertised Retail Product or Service shall be clear and shall not be disguised in any way;
- e. important items, statements or warnings are not disguised, diminished or obscured; and
- f. it avoids taking any improper advantage of any characteristic or circumstances that may make the Client vulnerable.

R.2.1.7 In deciding whether and how to issue an Advertisement to an Identified Target Market, a Regulated Person shall ensure that the medium selected for this purpose is commensurate with the nature of the Retail Product or Service, its likely Information requirements as well as the role and extent of the Information provided, the risks involved and the risk profile of the target audience in the sales process.

G.2.1.1 *The medium, content and format of the Advertisement should be such that it is easily understood that it is only intended for its Identified Target Market. The Advertisement itself should also be understood by such Identified target market. Therefore, where possible, simple and accurate terms should be used as opposed to complicated and technical jargon.*

G.2.1.2 *The Regulated Person is to ensure that an Advertisement or Information is being aimed at the Target Market identified for the Retail Product or Service in question.*

R.2.1.8 With respect to Advertisements and Information disseminated via the Internet, Regulated Persons should also include appropriate statements that the Client is leaving the Regulated Person's website and accessing another in cases where the Regulated Person's website is hyperlinked to other sites.

R.2.1.9 Regulated Persons are expected to be aware that misleading Advertising leads to the distortion of competition within the market and jeopardises the economic welfare of Clients. Misleading Advertising may also lead Clients into taking decisions that could be prejudicial to their financial well-being.

R.2.1.10 In addition to the rules relating to unfair advertising or marketing practices present in the [Consumer Affairs Act](#) and without prejudice to the generality of R.2.1.2 and R.2.1.6, a Regulated Person shall ensure that any Advertisement and information is not misleading in relation to:

- a. the nature of the advertised Retail Product or Service;
- b. the Regulated Person's independence or the independence of the information it provides;

- c. the Regulated Person's ability to provide the advertised Retail Product or Service and about the nature and type of such Retail Product or Service;
- d. the scale of the Regulated Person's activities;
- e. the extent of the resources of the Regulated Person;
- f. the nature of the Regulated Person's or any other person's involvement in the advertised Retail Product or Service;
- g. the scarcity of the advertised Retail Product or Service;
- h. any relevant risks and, in particular, shall not emphasise any potential benefits of a Retail Product or Service without also giving a fair and prominent indication of relevant risks.

G.2.1.3 *An Advertisement or other Information provided to Clients should be considered to be 'misleading' if it has a tendency to mislead the person or persons to whom it is addressed or by whom it is likely to be received, whether or not the Regulated Person that issues the Advertisement considers or intends it to be misleading.*

- R.2.1.11** Advertising can be misleading when:
- a. the characteristics of the Retail Product or Service as advertised do not reflect the financial benefits that the Client expects to derive;
 - b. any charges related to the Retail Product or Service are hidden in such a way that the Client fails to assess their final impact on the ultimate financial benefits expected;
 - c. the repute of the advertising Regulated Person is mis-represented to the extent that the Client is deceived.

Regulated Persons must therefore ensure that no Advertisement is capable of misleading Clients through inaccuracy, ambiguity, exaggeration, omission or the creation of false expectations.

- R.2.1.12** These Rules shall not apply where the Advertisement approved or disseminated or the Information provided consists only of one or more of the following:
- a. the name of the Regulated Person;
 - b. a logo or other image associated with the Regulated Person;
 - c. a contact point;
 - d. a reference to the Services provided by the Regulated Person.

- R.2.1.13** The Regulated Person shall ensure that Advertisements or Information it approves or circulates shall:
- a. be sufficient for, and presented in a way that is likely to be understood by, its Identified Target Market; and
 - b. identify the Member State where the Regulated Person is registered.

- R.2.1.14 An Advertisement must not include:
- a. The word 'Overdraft' or any similar expression describing any agreement, except where an agreement enables a Client to overdraw on a current account;
 - b. The expression 'interest free' or any similar expression indicating that a Client is liable to pay no greater amount in respect of a transaction financed by credit than he would have otherwise paid had the transaction not be financed by credit, except where the total amount payable does not exceed the cash price;
 - c. The expression 'gift', 'present' or any similar expression, except where there are no conditions which would require the Client to repay the credit or to return the item that is the subject of the claim.
- R.2.1.15 Without prejudice to R.2.1.12 where the advertisement is limited by time or space, it must include at least the Regulated Person's licencing statement and must direct clients to an easily accessible alternative source where all the necessary disclosures are prominently displaced.

Provided that where the said Advertisement is of a digital nature, the necessary disclosures should be displayed no further than one click away from the Advertisement itself.

Issuing and Approving Advertisements

- R.2.1.16 No person, other than a Regulated Person, may issue or cause to be issued, Advertisements relating to Retail Products in or from Malta, unless its contents have been approved by a Regulated Person. Furthermore, the Regulated Person approving such Advertisements shall ensure that any Advertisements disseminated or circulated principally in or from Malta comply with the requirements of these Rules and any other relevant legislation.
- R.2.1.17 When issuing or approving such Advertisements, Regulated Persons shall:
- a. appoint the Compliance Officer to:
 - i. approve Advertisements to be issued by the Regulated Person in its own name; and
 - ii. notify the MFSA with any Advertisement issued or purporting to be issued by the Regulated Person without the approval referred to in (i) above;
 - b. establish internal procedures relating to the approval of Advertisements to be issued by the Regulated Person itself, which need to include, as a minimum, the necessary arrangements to protect the legitimate interests of the Clients and to manage the risks to those who are or may be exposed to its Advertisements;

- c. keep records of all Advertisements issued and approved, for a period of not less than 5 years, including, as a minimum:
 - i. an approved certification in electronic format by the Compliance Officer that each Advertisement complies with the requirements of these Rules;
 - ii. the name of the individual who approved the Advertisements;
 - iii. the date of approval of the Advertisements;
 - iv. where applicable, the start and end date of the Advertisement in each medium used;
 - v. the Retail Product marketed and sufficient data to identify the media or channels used for the advertisement (target market to be reached) in accordance with R.2.1.7;
 - vi. the media or channels used and publications in which the Advertisement was included; and
 - vii. documentary evidence in support of any statement made in the Advertisement.

Provided that, in order to ensure timely and effective compliance, the Compliance Officer may delegate the responsibilities set out in this Rule to other person/s within the Compliance Function who are considered to possess sufficient seniority and expertise.

Provided further that, in such a case, the Compliance Officer shall retain ultimate responsibility for the decisions taken pursuant to the requirements of this Rule.

- R.2.1.18 Any disclosure, warning or any other disclaimer which is required to be included in any Advertisement shall be shown prominently, clearly and intelligibly.

In the case of information provided orally, this must be clearly audible.

- G.2.1.4 *When issuing an Advertisement or communicating Information to a Client about a Retail Product or Service, a Regulated Person should consider whether omission of any relevant fact will result in the Advertisement or Information being insufficient, unclear, unfair or misleading.*

- G.2.1.5 *Regulated Persons should:*
- a. *take account of the means of communication used to publish the Advertisement or communicate the Information to Clients and of the limitations and/ or disadvantages associated with a particular means of communication. To this effect G.2.1.14 should be noted for additional guidance with respect to publication of Information on different types of media;*
 - b. *ensure that disclaimers, risk warnings and other footnotes used in the Information should be of sufficient size and prominence to be*

clearly legible and not diminished, disguised or obscured in any way by the content, design or format of the Information;

- c. *ensure that only Information which is material to the Advertisement being published, is included. The Advertisement should indicate that further Information about the Retail Product or Service which is the subject of the Advertisement is available and from where.*

- R.2.1.19 Regulated Persons shall include a regulatory disclosure statement in all the Advertisements issued. This regulatory disclosure statement shall indicate that the Regulated Person is regulated by the MFSA or by a European regulatory authority, as applicable, as well as a reference to the legislation under which such regulation is afforded. The regulatory disclosure statement required by this paragraph should also be made by the Regulated Person when providing information to Clients, except for those Advertisements consisting of Information as provided in R.2.1.12.
- R.2.1.20 Regulated Persons shall ensure that Advertisements shall not use the name of the MFSA in such a way that would indicate or suggest endorsement or approval by the MFSA of the Retail Products of the Regulated Person.
- R.2.1.21 Regulated Persons shall ensure that any Advertisement they issue, which indicates the MFSA as the regulator of the Regulated Person issuing the Advertisement and which refer to matters not regulated by the MFSA, makes it clear that those matters are not regulated by the MFSA.
- R.2.1.22 Regulated Persons shall ensure that any Advertisement addressed to, or disseminated in such a way that it is likely to be received by Clients, shall include the name and address of the Regulated Person and identify in the same prominence both the Manufacturer of the Product and the Distributor which issued the Advertisement. It should also distinguish between which of the parties is the Manufacturer and which is the Distributor of the Retail Product.
- R.2.1.23 Regulated Persons shall ensure that an Advertisement which contains any initials or acronyms also states what the initials or acronyms stand for.
- R.2.1.24 Regulated Persons shall ensure that the Advertised Retail Product is described as free only where the Retail Product in its entirety is available free of charge to the Client.
- R.2.1.25 Regulated Persons shall not issue Advertisements to Clients stating or implying that credit is available regardless of the Client's financial circumstances or status.

- R.2.1.26 Regulated Persons shall ensure that any information contained in a Marketing communication is consistent with any information and documentation of the retail product or service which the Regulated Person provides to a Client in the course of carrying on its Services.
- R.2.1.27 The Advertisement promoting Retail Products or Services shall:
- refrain from using excessively technical wording;
 - provide an explanation of the terminology used; and
 - be easy to read.
- R.2.1.28 Whenever a Credit Intermediary issues Advertisements offering Retail Products, it shall indicate clearly the Regulated Person which manufactured the Retail Product advertised.

Warning Statements and other information that should be included in Advertisements

- R.2.1.29 Regulated Persons shall ensure that warning statements:
- are prominently situated and of a font size that is at least equal to the predominant font size used throughout the document or Advertisement; and
 - appear together with the benefits of the advertised Retail Product or Service.

In the case of non-print media, it is sufficient that the warning statements are mentioned at the end of the Advertisement.

- R.2.1.30 Regulated Persons issuing an Advertisement shall ensure that:
- the Information provided therein is not in conflict, in any way, with the relevant Retail Product documentation; and
 - the terminology used is adequate and appropriate for that particular Retail Product or Service.

- R.2.1.31 Regulated Persons shall ensure that where any Advertisement relates to a Product or Service that is denominated or priced in a foreign currency, or where the value of such Retail Product or Service may be directly affected by changes in foreign exchange rates, the relevant warning statements are disclosed.

- G.2.1.6 *Further to R.2.1.31, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: This [Product/Service] may be affected by changes in currency exchange rates.

R.2.1.32 A Regulated Person shall ensure that for a Retail Product which matures on a specific date, an appropriate warning is given, including for example if the term is closed before maturing, interest could be forfeited.

G.2.1.7 *For the purposes of R.2.1.32, Regulated Persons should use the following warning or such other wording as appropriate in the particular circumstances:*

Warning: If you withdraw your money before [specify the particular date] you will lose your right for the interest paid.

R.2.1.33 Regulated Persons shall ensure that a specific warning should be included in the case of Advertisements related to a Retail Product where there is no access to funds for the term of the Retail Product.

G.2.1.8 *For the purposes of R.2.1.33, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: If you acquire this product, you will not have access to your money for [insert time period during which funds cannot be accessed].

R.2.1.34 A Regulated Person shall ensure that Advertisements that offer packaged Retail Products which are not manufactured by the Regulated Person issuing the Advertisements, indicate clearly that the Regulated Person is not the Manufacturer of the Retail Product advertised.

R.2.1.35 A Regulated Person must not issue Advertisements in relation to high-cost short-term Credit Agreements unless it clearly states that not meeting repayments might lead the Client to additional financial problems.

G.2.1.9 *For the purposes of R.2.1.35, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: Late repayments can cause serious financial problems. Please ensure that you are familiar with all terms and conditions before committing to [insert name (including branding name) of the Retail Product in question].

R.2.1.36 Regulated Persons shall ensure that an Advertisement that uses promotional or introductory interest rates clearly states the expiry date of that interest rate and provides an indication of the rate that will apply thereafter.

- R.2.1.37 Regulated Persons shall ensure that any assumptions on which a statement, promise or forecast contained in an Advertisement is based, are clearly stated, reasonable and up to date.
- R.2.1.38 Regulated Persons shall ensure that an Advertisement that promotes more than one Retail Product or Service sets out clearly the key information relating to each Retail Product or Service in such a way that a Client can distinguish between the Retail Products and Services in question.
- R.2.1.39 Where the information contained in an Advertisement is sourced from a third party, the Regulated Person issuing the Advertisement should also confirm that this information has been accurately reproduced and that no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the Regulated Person should also identify the source(s) of the information.

Advertisements implying cost reduction

- R.2.1.40 This Rule applies in relation to an Advertisement that implies that a Regulated Person can reduce the applicable cost or fees relevant to the Client.

Such an Advertisement should:

- a. be consistent with the result expected to be achieved by Clients who respond to the Advertisement;
- b. state prominently the basis for any claimed benefits and any significant limitations; and
- c. comply with other relevant legislative requirements

Disclosures within Advertisements relating to Taxation

- R.2.1.41 If any Advertisement or information refers to a particular tax treatment of a particular Retail Product or Service, Regulated Persons shall ensure that the Advertisement or information in question contains:
- a. details on the tax treatment of the Retail Product or Services, which is complete, fair, relevant, accurate and not misleading;
 - b. an indication as to whether the Regulated Person assumes responsibility for the withholding of the taxes at source;
 - c. an indication that the information relates to any appropriate current legislation as at the date of submission of that information and that such tax arrangements may change in the future.

- R.2.1.42 Where the information refers to a particular tax treatment, it shall prominently state that the tax treatment depends on the individual circumstances of each Client and may be subject to change in the future.

Guidance on disclosures included within Advertisements broadcasted on Television and Radio or through Telephone

- G.2.1.10 *With respect to Advertisements broadcasted on television and radio, in addition to the guidance provided in the above sections, Regulated Persons should:*
- a. state the regulatory disclosure statement as set out in R.2.1.19;*
 - b. have clear and legible risk warnings indicated on a caption at the very bottom of the visual which should take up not less than 20% of the whole screen;*
 - c. indicate the captions on a black background and using bold, white text which is non italicised. Captions at the bottom of the screen should not exceed 4 lines each and should only be updated at intervals of not less than 4 seconds each during broadcasting of the visual;*
 - d. include a voice over of all the relevant risk warnings relative to the Retail Product.*
- G.2.1.11 *When a Regulated Person makes a voice telephony communication to a Client as part of its Advertising or Marketing practice, it should make its identity and purpose of its call explicitly clear at the beginning of the conversation.*

Guidance on Advertisements issued on Social Media

- G.2.1.12 *The rules under Chapter 1 on Disclosures of this Rulebook are media neutral; therefore they apply to social media as they would to any other medium.*
- G.2.1.13 *Any form of communication through social media is capable of being an Advertisement, depending on whether it includes an invitation or inducement to engage in financial activity.*
- G.2.1.14 *An Advertisement must be made within the course of business, that is, it requires a commercial interest on the part of the communicator, for it to be captured within the regulatory regime.*

- G.2.1.15 When deciding whether to promote or advertise through social media, Regulated Persons should take into consideration the nature of their promotions together with the fact that communications through social media can reach a wide audience very rapidly. Due to the possibility of promotions through social media being circulated by users to unintended recipients, Regulated Persons should take adequate measures to label and target their communications. The target audience, the nature of the Retail Product and the likely information needs of the average recipient should be considered.*
- G.2.1.16 In order for Regulated Persons to adhere with the requirement to be "clear, fair and not misleading" as outlined in R.2.1.2, when promoting their Retail Products or Services through social media, such Regulated Persons should ensure that Clients have an appreciation of the relevant risks in addition to the potential benefits. Regulated Persons should ensure that relevant text is sufficiently prominent.*
- G.2.1.17 In view that Advertisements on some social media are subject to character-limitations, the use of images and infographics is recommended to ensure that all the relevant risk warnings and other required statements are included in the Advertisement. It is also possible to include a link to more comprehensive information, provided that the promotion is compliant with the applicable regulatory requirements on a stand-alone basis.*
- G.2.1.18 Where a recipient shares or re-tweets a Regulated Person's communication, responsibility lies with the communicator (i.e. the original recipient); therefore the Regulated Person would not be responsible. Notwithstanding, any breaches of rules in the original communication are still the responsibility of the Regulated Person and the MFSA will take up the matter with the Regulated Person.*
- G.2.1.19 If a Regulated Person re-tweets a Client's tweet, should the Client's tweet endorse the benefits of a regulated financial Retail Product or Service, sharing of such comment by the Regulated Person will constitute a promotion. Re-tweeting by a Regulated Person of a Client's tweet expressing satisfaction on good customer service is not considered to be a promotion.*
- G.2.1.20 The issuer of the Advertisement on social media should be clearly identifiable. Where a personal social media account is used by someone associated with a particular Regulated Person, such as a senior person at the business, that individual and the Regulated Person should take necessary measures to clearly distinguish personal communications from those that are made in the course of that business.*
- G.2.1.21 When advertising Retail Products and Services through social media, Regulated Persons are required:*

- a. *not to disguise the promotional nature of the communication;*
- b. *to ensure that information is presented in a way that is clear and not misleading;*
- c. *to avoid exaggerating the benefits of Retail Products or Services; and*
- d. *to ensure disclosure of a Retail Product's risks should have equal prominence as information on the Retail Product's benefits, in particular with regard to font size and colour.*

Section 2: Advertising and Marketing rules applicable for specific Consumer Credit Agreements

Applicability

- R.2.2.43 In addition to the applicability of Section 1 of this Chapter, the Rules under this Section shall solely apply to Consumer Credit Agreements as set out in the Glossary of Definitions to this Rulebook.

General Requirements

- R.2.2.44 Without prejudice to the provisions relating to unfair Advertising or Marketing practices in this Rulebook, where an Advertisement relating to a Consumer Credit Agreement includes an interest rate or any figure relating to the cost of the credit to the Client, the Advertisement shall also include standard information by means of a representative example in accordance with R.2.2.45.
- R.2.2.45 The representative example referred to in R.2.2.44 shall be easily legible or clearly audible as appropriate and adapted to the technical constraints of the medium used for advertising and shall specify in a clear, concise and prominent way, all of the following standard information:
- a. the borrowing rate, whether fixed, variable or both;
 - b. particulars of any charges included in the total cost of credit to the Client;
 - c. the total amount of credit;
 - d. the annual percentage rate of charge;
 - e. where applicable the duration of the credit agreement;

- f. in the case of credit in the form of a deferred payment for specific goods or services, the cash price and the amount of any advance payment;
- g. if applicable, the total amount payable by the Client; and the amount of the instalment

In specific and justified cases where the medium used to communicate the standard information referred to in the first subparagraph immediately above, does not allow the information to be visually displayed, points (e) and (f) of that subparagraph shall not apply.

- R.2.2.46 An Advertisement relating to a Consumer Credit Agreement shall include a clear and concise statement in respect of any obligation to enter into a contract in respect of an ancillary service relating to the Consumer Credit Agreement, in particular an insurance service, where:
- a. the conclusion of that service is compulsory in order to obtain the credit or to obtain it on the terms and conditions Advertised; and
 - b. the cost of that service cannot be determined in advance.
- R.2.2.47 The obligation referred to in R.2.2.46 shall be advertised in a prominent way and accompanied by the APRC relative to the representative example.
- R.2.2.47A.1 Without prejudice to Title I of Part VIII of the Consumer Affairs Act (Chapter 378 of the Laws of Malta) any advertising and marketing communications concerning credit agreements are fair, clear and not misleading. Wording in such advertising and marketing communications that may create false expectations for a client regarding the availability or the cost of credit or the total amount payable by the client shall be prohibited.
- R.2.2.47A.2 Advertising concerning credit agreements shall include a clear and prominent warning to make clients aware that borrowing costs money, using the wording: Caution! Borrowing money costs money' or an equivalent wording
- R.2.2.47A.3 Advertising concerning credit agreements which indicate an interest rate or any figures relating to any costs of credit to the client include standard information in accordance with this section.

The obligation referred to in the first subparagraph immediately above shall not apply where national law requires the indication of the annual percentage rate of charge in advertising concerning credit agreements which does not indicate an interest rate or any figures relating to any cost of credit to the consumer within the meaning of the first subparagraph.

- R.2.2.47A.4 Where the conclusion of a contract regarding an ancillary service relating to the credit agreement is compulsory in order to obtain the credit or to obtain it on the terms and conditions marketed, and the cost of that service cannot be determined in advance, the standard information referred to in Rule 2.2.45, first subparagraph, shall specify in a clear, concise and prominent way the obligation to enter into that contract.
- R.2.2.47A.5 Without prejudice to Title I of Part VIII of the Consumer Affairs Act (Chapter 378 of the Laws of Malta), in specific and justified cases where the electronic medium used to communicate the standard information referred to in R.2.2.45 does not allow that information to be visually displayed in a prominent and clear manner, the client shall be able to access the information referred to in points (e) and (f) of the first subparagraph of that Rule by means of clicking, scrolling or swiping.
- R.2.2.47A.6 Member States shall prohibit advertising for credit products which:
- a. encourages clients to seek credit by suggesting that credit would improve the financial situation of those clients;
 - b. specifies that outstanding credit agreements or registered credit in databases have little or no influence on the assessment of a credit application;
 - c. falsely suggests that credit leads to an increase in financial resources, constitutes a substitute for savings or can raise a client's living standards.
- R.2.2.47A.7 Regulated Persons shall prohibit, inter alia, advertising for credit products which:
- a. Highlight the ease or speed with which the credit can be obtained
 - b. Offer 'grace periods' of more than three months for the repayment of credit instalments

General Information

- R.2.2.47B.1 Regulated Persons shall ensure that clear and comprehensible general information about credit agreements is made available to consumers by creditors or, where applicable, by credit intermediaries, at all times on paper or on another durable medium chosen by the client.

General information about credit agreements which is made available by Regulated Persons or, where applicable, by credit intermediaries at their premises shall be made available to clients at least on paper.

R.2.2.47B.2 The general information referred to in R.2.2.47B.1 shall include at least the following:

- (a) the identity, geographical address, telephone number and email address of the issuer of the information;
- (b) the purposes for which the credit may be used;
- (c) the possible duration of the credit agreement;
- (d) types of available borrowing rate, indicating whether fixed or variable or both, with a short description of the characteristics of a fixed and variable rate, including related implications for the consumer;
- (e) a representative example of the total amount of credit, the total cost of the credit to the consumer, the total amount payable by the consumer and the annual percentage rate of charge;
- (f) an indication of possible further costs, not included in the total cost of the credit to the consumer, to be paid in connection with a credit agreement;
- (g) the range of different options available for reimbursing the credit to the creditor, including the number, frequency and amount of the regular repayment instalments;
- (h) a description of the conditions directly relating to early repayment;
- (i) a description of the right of withdrawal;
- (j) indication of ancillary services the client is obliged to acquire in order to obtain the credit or to obtain it on the terms and conditions marketed and, where applicable, a clarification that the ancillary services may be purchased from a provider that is not the Regulated Person; and
- (k) a general warning concerning possible consequences of non-compliance with the commitments linked to the credit agreement.

Section 3: Advertising and Marketing rules applicable for Specific Credit Agreements relating to Residential Immovable Property

Applicability

- R.2.3.48 In addition to the applicability of Section 1 of this Chapter, the Rules and Guidance under this Section shall solely apply to Credit Agreements relating to Residential Immovable Property as set out in the Glossary of Definitions to this Rulebook.

General Requirements

- R.2.3.49 Regulated Persons, including Credit Intermediaries, shall always act in the best interest of Clients when disclosing information of any nature.
- R.2.3.50 Regulated Persons, including Credit Intermediaries, shall take all necessary steps to ensure full compliance with these regulations.
- R.2.3.51 Without prejudice to other Rules related to unfair Advertising or Marketing practices, in particular to the [Unfair Commercial Practices Directive \(Directive 2005/29/EC\)](#), Regulated Persons shall ensure that any Advertising and Marketing communications concerning Credit Agreements relating to Residential Immovable Property are fair, clear and not misleading. In particular, wording that may create false expectations for a Client regarding the availability or the cost of a Credit Agreement relating to Residential Immovable Property shall be prohibited.
- R.2.3.52 Without prejudice to other Rules related to unfair Advertising or Marketing practices, in particular to the [Unfair Commercial Practices Directive](#), any Advertising concerning Credit Agreements relating to Residential Immovable Property which indicates an interest rate or any figures relating to the cost of the credit to the Client, shall include the standard information in accordance with these Rules.
- R.2.3.53 The standard information referred to in R.2.3.52 shall specify in a clear, concise and prominent way:
- a. the identity of the Regulated Person or, where applicable, the Credit Intermediary;

- b. that the product advertised is a Credit Agreement relating to Residential Immovable Property and, where applicable, that such Credit Agreement will be secured by a hypothec or privilege on residential immovable property, by a right related to residential immovable property;
- c. the borrowing rate, indicating whether this is fixed or variable or a combination of both;
- d. particulars of any charges included in the total cost of credit to the Client;
- e. the total amount of credit;
- f. the APRC which shall be included in the Advertisement at least as prominently as any interest rate;
- g. where applicable, the duration of the Credit Agreement relating to Residential Immovable Property;
- h. where applicable, the total amount payable by the Client;
- i. where applicable, the amount of the instalments and the amount of each repayment of credit; and
- j. where applicable, a warning regarding the fact that possible fluctuations of the exchange rate could affect the amount payable by the Client.

- R.2.3.54 The information listed in R.2.3.53, other than that listed in paragraphs (a), (b) or (j) thereof, shall be specified by means of a representative example and shall adhere to that representative example throughout.
- R.2.3.55 Any Advertising concerning Credit Agreements relating to Residential Immovable Property which include an interest rate or any figures relating to the cost of the credit to the Client, shall include a clear and concise statement in respect of any obligation to enter into a contract in respect of an ancillary service relating to the Credit Agreement relating to Residential Immovable Property, in particular an insurance service, where:
- a. the conclusion of that service is compulsory in order to obtain the credit or to obtain it on the terms and conditions advertised; and
 - b. the cost of that service cannot be determined in advance.
- R.2.3.56 The obligation referred to in R.2.3.55 shall be Advertised in a prominent way together with the APRC.
- R.2.3.57 The information referred to in Rules R.2.3.53, R.2.3.55 and R.2.3.56 shall be easily legible or clearly audible as appropriate, depending on the medium used for Advertising and Marketing.
- R.2.3.58 Where Advertising material concerns a Credit Agreement relating to Residential Immovable Property for which security is or may be required, the Advertising material must:
- a. state that security is or may be required; and
 - b. specify the nature of the security.

- R.2.3.59 With reference to Advertising material as referred to in R.2.3.58, where the security comprises or may comprise a mortgage or charge on a property used by the Client as a dwelling, whether or not it is the Client's primary residence:
- a. the Advertising material must contain a warning that the immovable property might be repossessed if repayments or any similar debt secured on it are not met in a timely manner;
 - b. where the Advertising material indicates that credit is available for the payment of debts due to other lenders, there must be an additional warning preceding the one in (a) above to state that Clients must consider carefully before securing other debts against their residential immovable property.

- G.2.3.22 *For the purposes of R.2.3.59(a), Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: Your residential immovable property may be repossessed if you do not keep up with repayments on a home loan or any other debt secured on it.

- G.2.3.23 *For the purposes of R.2.3.59(b), Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: Think carefully before securing other debts against your residential immovable property.

Section 4: Advertising and Marketing rules applicable to Payment Accounts

Applicability

- R.2.4.60 In addition to the applicability of Section 1 of this Chapter, the Rules under this section shall only apply to Payment Accounts through which Clients are able at least to:
- a. place funds in a Payment Account;
 - b. withdraw cash from a Payment Account; and
 - c. execute and receive payment transactions, including credit transfers, to and from a third party.

General Requirements

- R.2.4.61 Where applicable, a Regulated Person shall use the standardised terminology set out in the list of the most representative services linked to a Payment Account in its contractual, commercial and marketing information.

The list of the most representative services linked to a Payment Account is issued and periodically updated by the MFSA and can be referred to in Annex VI to Chapter 1.

- R.2.4.62 A Regulated Person may use brand names to designate its services in its contractual, commercial and marketing information to Clients, provided that it clearly identifies, where applicable, the corresponding standardised terms set out in the list of the most representative services linked to a Payment Account referred to in R.2.4.61 and as may be amended from time to time.

Section 5: Advertising and Marketing rules applicable to Payment Accounts and Deposit Accounts

Applicability

- R.2.5.63 The Rules under this Section shall apply to accounts which qualify as Payment Accounts capable of undertaking day-to-day payment transactions, as well as to other Deposit Accounts which shall include 'Fixed Term Savings/Deposit Accounts' and other 'Savings Accounts' which cannot undertake day-to-day payment transactions, collectively referred to in this Section as '*Accounts*'.

Accordingly with respect to Payment Accounts, the Regulated Person shall comply with both the requirements laid down in this Section 5, as well as with the specific Rules under Section 4 of this Chapter

General Requirements

- R.2.5.64 Any Advertising Media related to Accounts which is issued by Regulated Persons shall therefore ensure that:
- a. the Client is made fully aware of all the financial implications and legal aspects related to the Accounts;
 - b. the returns promised to the Client are realisable;
 - c. the quality of the Account is guaranteed; and
 - d. the legal responsibilities of the providers of the Account and their liability are clearly spelled out.
- R.2.5.65 Regulated Persons should ensure that, as a minimum, every Advertisement should state:
- a. the term, if any, of the Account;
 - b. applicable interest rates, if any, and if not, state that the Account does not generate any interest;
 - c. the frequency of payment if interest exists;
 - d. whether interest is compounded; and
 - e. that full terms and conditions are available on request.
- R.2.5.66 Regulated Persons shall ensure that rates of interest are described appropriately in any Advertisement, also taking into consideration the option for the application of withholding tax at source. The following terms should preferably be used, as applicable:

- a. % gross;
- b. % net (of withholding tax);
- c. % tax free (if applicable); and
- d. % compounded annual rate.

- R.2.5.67 In addition to R.2.5.66, Regulated Persons must also ensure that:
- a. No rate shall be given greater prominence in size of type or otherwise than the contractual rate, provided interest is due at least annually;
 - b. Where rates are quoted on the basis of other than a twelve-month period, this must be clearly stated and such rates shall be given no greater prominence than the 'compound annual rate';
 - c. Once a rate of interest is quoted, the Advertisement must contain a specific statement indicating whether the rates quoted are fixed for any term specified and whether the interest rates are subject to variations (e.g. floating rate). If so, the relative variations should be defined in so far as is possible;
 - d. Advertisements quoting a rate of interest or yield that are intended for printed media or direct mail must contain a suitable qualification such as '*rates correct at the time of going to press*' and must state the period for which the conditions as published in the Advertisement would apply; and
 - e. Where interest is forfeited on any withdrawal without notice, words such as '*instant access*' or '*immediate withdrawals*' must not be displayed together with the rate of interest without qualification.

- R.2.5.68 Regulated Persons shall also ensure that:
- a. Advertisements must contain a clear statement of the conditions of withdrawal;
 - b. With respect to Accounts that do not allow for withdrawals even after a period of notice without forfeiting interest, the text of the Advertisement must include a statement indicating that, if a withdrawal is made, the stated interest rate will not be achieved;
 - c. The minimum and maximum deposit amount, if any, that would be accepted is clearly indicated;
 - d. Advertisements that invite deposits to Accounts by immediate coupon response⁵ should include a statement in the sense that the terms and conditions of the Accounts would be available on request prior to completing the coupon; and
 - e. Every Advertisement shall state the currency in which deposits to the Accounts can be made.

⁵ The term 'immediate coupon response' is intended to refer to any incentive of a monetary value which may be given to the Client at inception.

Chapter 3 Product Oversight Requirements

Introduction

This Chapter sets out Rules which address the importance that Regulated Persons must ensure that risks of Client detriment associated with Retail Products are addressed through their appropriate product oversight and governance arrangements. It is therefore crucial that one of the main objectives of such product oversight and governance arrangements is to require Manufacturers to give due consideration to the interests, objectives and characteristics of Clients when designing Retail Products and within their product approval process. Similarly, this Chapter covers a number of obligations pertaining to Regulated Persons acting as Distributors of the Retail Product in order to ensure alignment with the Manufacturer's initial intents and purposes for the said Retail Product.

This chapter sets out a number of rules and guidelines applicable to Regulated Persons which manufacture and/or distribute Retail Products with the aim of addressing risks of Client detriment. It primarily deals with the establishment of a Manufacturer's product oversight and governance arrangements and their respective objectives. Amongst others, the requirements relate to product design, testing and monitoring, as well as the procedures for implementing remedial actions where a fault is identified. Equally important are the rules and guidelines related to the identification of the relevant Target Market, with Manufacturers obliged to identify the category of Clients for whose needs, characteristics, nature and objectives each specific Retail Product is compatible. This would not take away from Clients the ability to choose products that they wish to purchase but is merely intended to avoid consumer detriment by ensuring that Clients are not able to acquire products which are not intended for their circumstances.

For such purposes, a distinction is drawn between Manufacturers and Distributors. Regulated Persons will very often act as both Manufacturers and Distributors when it comes to the provision and distribution of Retail Products to Target Markets. Notwithstanding, Distributors that are involved in the design and manufacture of a Retail Product should be considered as Manufacturers for the purpose of setting up product oversight and governance arrangements and should therefore also comply with the rules and guidelines earmarked for Manufacturers, in addition to those applicable for Distributors.

Section 1: General Rules

- R.3.1.1 The Rules and Guidance set out in this Chapter, unless stated otherwise, shall apply to all Regulated Persons providing Retail Products as defined for the purpose of this Rulebook.
- R.3.1.2 Whenever a Regulated Person which qualifies as a Manufacturer is also acting as a Distributor, it shall ensure effective compliance with the requirements of this Chapter pertaining to both Manufacturers and Distributors.
- R.3.1.3 The Rules and Guidance set out under this section entitled General Rules shall apply to all Regulated Persons when acting as Manufacturers and/or Distributors, unless otherwise indicated.
- R.3.1.4 The Regulated Person shall comply with all the product governance requirements laid down in this Chapter, and shall also ensure effective compliance in accordance with the principles and expectations emanating from:
- a. the 2015 EBA Final Report on Guidelines on product oversight and governance arrangements for retail banking products ([EBA/GL/2015/18](#));
 - b. the 2019 First [EBA Report on the Application of the Guidelines on Product Oversight and Governance \(POG\) Arrangements](#); and
 - c. the 2020 Second EBA Implementation Report on the Application of the said Guidelines ([EBA/REP/2020/28](#)).
- R.3.1.5 Manufacturers and Distributors shall ensure that they always act honestly, fairly and professionally in accordance with the best interests of Clients when designing, valuing, pricing and offering a Retail Product.
- G.3.1.1 *Pursuant to R.3.1.5, a number of good practice examples for both Manufacturers and/or Distributors are put forward in Annex I to this Chapter.*
- R.3.1.6 Distributors shall also establish, implement and review product oversight and governance arrangements which are specific and proportionate to their size and the role they carry out in bringing the Retail Products to the Market.
- R.3.1.7 In the event that the activity of the Regulated Person acting as either Manufacturer, Distributor or both, is in whole or in part outsourced to third parties, or carried out by another entity in other ways, Regulated Persons shall ensure that, in doing so, they comply with the requirements established in [BR/14 on Outsourcing by Credit](#)

[Institutions authorised under the Banking Act](#) and the [EBA Guidelines on Outsourcing Arrangements \(EBA/GL/2019/02\)](#).

This includes, in particular, the principle, which provides that *'the ultimate responsibility for the proper management of the risks associated with outsourcing or the outsourced activities lies with an outsourcing institution's senior management'*.

This signifies that each Regulated Person shall remain responsible for all its obligations emanating from this Rulebook, even in cases where functions have been outsourced to third parties. The Board of Directors shall therefore ensure that sufficient resources are available to appropriately support and ensure the performance of those responsibilities, including overseeing all risks and managing the outsourcing arrangements.

Section 2: Manufacturer's Product Governance and Oversight Policy

- R.3.2.8 The Manufacturer shall establish, implement and review effective product oversight and governance arrangements. The arrangements shall aim, when products are being designed and brought to the market:
- to ensure that the interests, objectives and characteristics of Clients are taken into account;
 - to avoid potential Client detriment; and
 - to minimise conflicts of interest.
- G.3.2.2 *Manufacturers should establish and implement product governance and oversight arrangements that set out appropriate measures and procedures aimed at designing, monitoring, reviewing and distributing Retail Products for Clients, which take into account the interests, objectives and characteristics of Clients, whilst minimising conflicts of interests, as well as taking action in respect of Retail Products that may lead to detriment to Clients.*
- R.3.2.9 A Manufacturer shall set out its product governance and oversight arrangements in a written document, termed the Product Governance and Oversight Policy (PGOP), and make it available to its relevant staff.
- G.3.2.3 *A Manufacturer shall ensure that its compliance function continuously monitors the development and periodic review of its product governance and oversight arrangements in order to detect any risk of*

failure by the Manufacturer to comply with the obligations set out in this Chapter.

- R.3.2.10 The product oversight and governance arrangements (housed within the PGOP) shall be reviewed and updated by the Manufacturer on a regular basis.
- R.3.2.11 Manufacturers shall, amongst others, ensure that their PGOP addresses the:
- a. development, provision and launch of new Retail Products and Services (including product pricing considerations, product testing procedures and the overall product approval process);
 - b. procedures aimed at monitoring and reviewing Retail Products available on the market;
 - c. remedial action to be applied when instances of Client detriment are observed during the lifetime of a Retail Product;
 - d. responsibilities and methodology applicable in identifying Target Markets, as well as developing new Target Markets and assessing significant changes to existing ones;
 - e. identification of responsibilities allocated to different roles and business units within the Manufacturer, including Senior Management and the Board of Directors;
 - f. appropriate procedures relating to distribution arrangements, sharing of information with Distributors and distribution channel identification;
 - g. procedures governing outsourcing arrangements; and
 - h. overall retail strategy adopted by the Manufacturer.
- G.3.2.4 *The PGOP should also include definitions to key terminology such as 'new product/market/business' and 'material changes' which are ordinarily used in the organisation and the internal functions involved in the decision-making process.*
- R.3.2.12 Product oversight and governance arrangements housed in the PGOP shall be proportionate to the nature, scale and complexity of the relevant business of the Manufacturer. The implementation/application of the arrangements shall have regard to the level of potential risk of the Client and complexity of the product.

Section 3: Documentation of Product Governance and Oversight Policy

- R.3.3.13 All actions taken by the Manufacturer in relation to the PGOP shall be duly documented, kept for audit purposes and made available to the MFSA upon request.
- G.3.3.5 *Without prejudice to local legislation, it is recommended that the records of the relevant documentation are kept in a Durable Medium for a minimum period of five years. The period starts when the relevant action is taken, however there might be situations where it is appropriate to keep the documentation for a longer period of time, e.g. due to the lifetime of a Retail Product.*

Section 4: Product Testing

- R.3.4.14 The Manufacturer shall ensure that the relevant product oversight and governance arrangements related to the launch of a new Retail Product are considered in a dedicated section of the PGOP and are in line with Section 22 of [Banking Rule 24](#) which implements Guideline 18 of the EBA's Guidelines on Internal Governance ([EBA/GL/2021/05](#)) in cases where such Guideline applies⁶.
- R.3.4.15 In implementing R.3.4.14, and:
- a. before a product is brought to the market;
 - b. an existing product is sold to a new target market; or
 - c. significant change is made to an existing product,
- the Manufacturer shall conduct product testing, in order to be able to assess how the Retail Product would affect its Clients under a wide range of scenarios, including stressed scenarios. Manufacturers shall make appropriate product changes where the scenario analysis gives rise to poor results for the Target Market.
- G.3.4.6 *In determining whether significant adaptations have occurred with respect to an existing Retail Product, Manufacturers should consider the following set of criteria:*
- a. *significant changes in the processing of the Retail Product including an extension of the product distribution, the introduction of new, or the withdrawal of existing, product or service features;*

⁶ References to NPAP in EBA/GL/2021/05 should be considered as referring to the PGOP as defined in this Rulebook.

- b. *a change in the Target Market and the introduction of a new Client market segment (including geographically) as a Target Market;*
- c. *changes that affect the use of the Retail Product by the Client on a day-to-day basis;*
- d. *changes for which the Client would reasonably perceive there to be a change in the level of service compared with what is currently being provided;*
- e. *changes in one or more material features that alter the risk profile or the complexity of the Retail Product from a Client perspective. Those changes should include changes that affect the use of the Retail Product by the Client on a day-to-day basis, changes for which the Client would reasonably perceive there to have been a change in the level of service compared with what is currently being provided;*
- f. *a change in the sale conditions, a new distribution channel or the introduction of an alternative channel of selling, including the use of third parties for the sale of the Retail Product;*
- g. *significant modifications to the Retail Product pursuant to new legal or regulatory rules and standards;*
- h. *material changes to related processes (e.g. new outsourcing arrangements) and systems (e.g. IT change processes), which have an impact on Clients; and*
- i. *changes in terms and conditions related to interest rates, costs and charges.*

R.3.4.16 Both the risk management function and the compliance function of the Manufacturer shall be involved in approving new Retail Products or significant changes to the existing Retail Products. Their input shall include a full and objective assessment of risks arising from new activities under a variety of scenarios; of any potential shortcomings in the Manufacturer's risk management and internal control frameworks; and of the Manufacturer's ability to manage any new risks effectively.

G.3.4.7 *Whilst Manufacturers are encouraged to have defined structures and clear escalation lines which involve their risk and compliance functions in the product approval process, the process itself should not be owned by either function as this could lead to the loss of the required independence.*

R.3.4.17 A Manufacturer's PGOP shall also cover every consideration to be taken into account before determining whether to introduce new Retail Products or make significant changes to existing Retail Products or Services. In doing so, the PGOP shall set out the main issues to be addressed before such a decision is made. These shall include:

- a. regulatory compliance;
- b. accounting;
- c. pricing models;
- d. the impact on risk profile, capital adequacy and profitability;

- e. the availability of adequate front, back and middle office resources; and
- f. the availability of adequate internal tools and expertise to understand and monitor the associated risks.

Furthermore, Manufacturers shall identify and assess the ML/TF risk associated with the new Retail Product or business practice and set out the measures to take to mitigate those risks. The decision to launch a new activity shall clearly state the business unit and individuals responsible for it. A new activity shall not be undertaken until adequate resources to understand and manage the associated risks are available.

- R.3.4.18 For every Retail Product or Service, the Manufacturer shall also carry out an impact assessment on:
- a. the impact of fees and charges of the said Retail Product or Service; and
 - b. any good outcomes envisaged from the sale of that Retail Product or Service,

with respect to the interests, objectives and characteristics of Clients belonging to the identified Target Market during the lifecycle of the said Retail Product or Service.

Provided that, the term '*fees and charges*', does not include any rate of interest or any fee, charge, cost or expense in connection with the Retail Product or Service which is levied by a party other than the Regulated Person to the Regulated Person or the Client and which is to be discharged by the Client,

- R.3.4.19 The impact assessment referred to in R.3.4.18 shall, as a minimum:
- a. include an assessment of both the number of Clients impacted and the typology of such Clients; and
 - b. demonstrate, amongst other matters, the fairness of such fees and charges and of other relevant key terms and conditions.

- R.3.4.20 The Manufacturer shall be required to carry out the impact assessment referred to in R.3.4.18 both when a Retail Product or Service is being designed to be brought into the market and when significant changes are made to an existing Retail Product or Service.

- R.3.4.21 The Regulated Person shall not impose fees or charges related to new Retail Products or Services and, or to existing Retail Products or Services, unless:
- a. the Regulated Person previously notifies such fees or charges to the MFSA;
 - b. the Regulated Person receives feedback from the Authority with respect to such notification within a time period of fifteen working days; and

- c. the Regulated Person concludes its interaction with the Authority with respect to the notification process and aligns such fees and charges, taking into account the outcome of such interaction.

Provided that, in view of paragraph (a) above, every notification to the MFSA shall be submitted together with:

- a. a copy of the impact assessment referred to in R.3.4.18 signed off by the person or body which, in terms of the Regulated Person's POG arrangements, is responsible to approve the Regulated Person's Retail Products or Services before these are provided or distributed;
- b. a statement of justification of the fees and charges; and
- c. a statement as to the additional income likely to accrue from the fees and charges.

Section 5: Product Monitoring

- R.3.5.22 Once the Retail Product is brought to market, the Manufacturer is ultimately responsible for product monitoring and shall monitor the product on an ongoing basis to ensure that the interests, objectives and characteristics of Clients continue to be appropriately taken into account.
- G.3.5.8 *The Manufacturer shall assess whether the Retail Products remain consistent with the needs, characteristics and objectives of the identified Target Market and whether those Retail Products are being distributed to the Target Market or are reaching Clients outside the Target Market.*
- R.3.5.23 In order to assist the Manufacturers in their obligation of product monitoring, the Distributor shall collect information to permit the Manufacturer to decide whether the Retail Product the Distributor brings to the market meets the interests, objectives and characteristics of the Target Market on an ongoing basis.
- R.3.5.24 If the Distributor identifies any problems regarding product features, product information or the Target Market when offering and selling Retail Products, the Distributor shall promptly inform the Manufacturer of the issue.
- G.3.5.9 *In accordance with the proportionality principle, the frequency and intensity of the monitoring may vary depending on the type and characteristics of specific Retail Products, namely the riskiness to Clients and the complexity or the specific features of the Retail Product itself.*

- G.3.5.10 *In order to assess whether a Retail Product still meets the interests, objectives and characteristics of the Target Market, the Manufacturer may conduct Client interviews and satisfaction surveys before development of the product and after the product launch. The assessment could cover issues such as product pricing, product process/documentation and the overall relationship with the Manufacturer.*

Section 6: Remedial Action

- R.3.6.25 If the Manufacturer identifies a problem related to a Retail Product in the market, or when monitoring the performance of the product, the Manufacturer should take the necessary action to mitigate the situation and prevent a reoccurrence of detriment.
- G.3.6.11 *The Manufacturer may identify an issue with any of its Retail Products during regular product monitoring exercises, but also when Manufacturers are informed of the matter by Distributors or even through a complaint lodged directly by a Client.*
- R.3.6.26 The remedial action should include promptly notifying the Distributor of changes or modifications to the existing products and any additional actions that need to be taken to remedy the situation.

Section 7: Target Markets

General Requirements

- R.3.7.27 Manufacturers shall include, in their PGOP, steps and features that need to be followed to identify, and update when necessary, the relevant Target Market of a Retail Product.
- R.3.7.28 The Manufacturer shall, having first identified the Target Market, ensure that the Retail Product is deemed appropriate for the interests, objectives and characteristics of the identified Target Market(s).
- R.3.7.29 As a good practice, to define the Target Market for each Retail Product, Manufacturers might consider using a set of criteria based on client segmentation to ensure that the Retail Product is deemed appropriate for the interests, objectives and characteristics of the Target Market, such as:
- a. demographic data (including age and gender);

- b. the characteristics of the respective Retail Product in relation to the risk aversion profile of the Client (e.g. financial situation creditworthiness assessment and the other types of Retail Products offered);
- c. the level of knowledge of financial capability;
- d. the level of financial expertise of the Client; and
- e. relevant legislation.

- R.3.7.30 In addition to R.3.7.29, when deciding whether or not a Retail Product meets the interests, objectives and characteristics of a particular Target Market, the Manufacturer shall assess the degree of financial capability of the Target Market.
- R.3.7.31 The Manufacturer shall consider how the Retail Product fits within the Manufacturer's existing product range and whether the presence of too many product variants prevents the Client from making informed decisions.
- R.3.7.32 The Manufacturer shall only design and bring to the market Retail Products with features, charges and risks, that meet the interests, objectives and characteristics of, and are of benefit to, the particular Target Market identified for the Retail Product.
- G.3.7.12 *Depending on the information obtained about the Client's circumstances during the individual sales process, the Distributor may decide that a Retail Product is inappropriate for a Client despite that Client falling within the identified Target Market for that Retail Product. Therefore, a Retail Product should not be sold to a Client solely on the basis of the Client being a member of the Target Market.*

Negative Target Market

- R.3.7.33 The Manufacturer shall also identify the market segments for which the Retail Product is considered not likely to meet their interests, objectives and characteristics, termed the 'Negative Target Market'.
- R.3.7.34 A Distributor shall sell a Retail Product to a Client who does not belong to the Target Market only on a justified basis. The Distributor shall also be able to provide information to justify to the Manufacturer why it offered a Retail Product to a Client who does not belong to the Target Market.

Section 8: Provision of Adequate Training to Relevant Staff

- R.3.8.35 Regulated Persons, whether acting as Manufacturers or Distributors, must provide adequate training, including cross-sectorial training when relevant, to staff involved in but not limited to:
- designing and monitoring the Retail Products;
 - determining and implementing remedial actions;
 - identifying Target Markets;
 - developing distribution channels;
 - creating the retail strategy;
 - distributing Retail Products in accordance with the Manufacturer's Product Governance and Oversight Arrangements.

The purpose for providing this training is to ensure that staff are familiar with the risks, where relevant, of the Retail Products and are able to communicate these to Clients in plain non-technical language.

- G.3.8.13 *A Manufacturer shall ensure that staff involved in designing and manufacturing Retail Products have the necessary skills, knowledge and expertise to properly understand the Retail Products sold and the interests, objectives and characteristics of the Clients belonging to the Target Market.*

Section 9: Role of Senior Management and the Board of Directors

- R.3.9.36 The Manufacturer shall ensure that the PGOP is an integral part of its governance, risk management and internal control framework as referred to in [EBA/GL/2021/05](#), where applicable. To that end, the Manufacturer's Board of Directors shall endorse the establishment of the PGOP and its subsequent reviews.
- R.3.9.37 Senior Management, with support from representatives of the Manufacturer's compliance and risk management functions, shall be responsible for continued internal compliance with the PGOP. They shall periodically check that the PGOP is still appropriate and continues to meet the objectives as set out in R.3.2.8, and shall propose to the Board of Directors that the arrangements be amended if this is no longer the case.

- R.3.9.38 The responsibilities for the oversight of this process by the risk control function and the compliance function shall be integrated into their normal line of duties.
- R.3.9.39 In accordance with R.3.8.35, the Manufacturer's Senior Management shall ensure that staff involved in designing a Retail Product:
- a. are familiar with and follow the arrangements included in the Manufacturer's PGOP;
 - b. are competent and appropriately trained; and
 - c. understand and are familiar with the product's features, characteristics and risks.

Section 10: Product Distribution and Distribution Channels

- R.3.10.40 The Manufacturer shall carefully select distribution channels that are appropriate for the particular Target Market. To that end, the Manufacturer should select Distributors that have the appropriate knowledge, expertise and capability to correctly place each Retail Product in the market and to provide appropriate information explaining the characteristics and risks of the Retail Product to the Clients. When selecting its distribution channels, the Manufacturer may consider limiting the distribution of a specific Retail Product to channels that offer specific features to Clients.
- R.3.10.41 The Manufacturer shall monitor that the Retail Products are distributed to the identified Target Market and sold outside the Target Market only on a justified basis.
- R.3.10.42 The Manufacturer shall take all reasonable steps to ensure that Distributors act in compliance with the objectives of the Manufacturer's PGOP. The Manufacturer shall take appropriate action when concerns about the appropriateness of a distribution channel are raised, for example by ceasing to use the particular channel for a particular product. In particular, the Manufacturer shall ensure, on an ongoing basis that the Retail Products reach mainly the particular intended Target Market through the distribution channels used.
- G.3.10.14 *Manufacturers should ensure that Distributors commit to the following steps:*
- a. *verifying that the Retail Products are in line with the needs, characteristics and objectives of the Clients within the Target Market;*

- b. providing adequate training to their staff so they can sell the Retail Product to the correct Target Market;*
- c. maintaining the Retail Product they distribute unmodified;*
- d. using only product documentation approved by the Manufacturer;*
and
- e. monitoring conduct of sales staff.*

- R.3.10.43 Where relevant, the Manufacturer shall provide the Distributor with:
- a. a description of the main characteristics of the Retail Product;
 - b. its risks and any limitations; and
 - c. the total price of the Retail Product (as known, or reasonably expected to be known by the Manufacturer) to be borne by the Client, including implicit costs, related fees, charges and expenses.
- R.3.10.44 The information indicated under R.3.10.43 shall be of an adequate standard and shall be clear, precise and up-to-date.
- R.3.10.45 The Manufacturer shall ensure that the information given to the Distributor includes all relevant details to enable them to:
- a. understand and place the Retail Product properly on the market;
 - b. recognise the Target Market for which the Retail Product is designed; and
 - c. recognise market segments whose objectives, interests and characteristics are considered likely not to be met.
- R.3.10.46 A Distributor shall take into account the information provided by the Manufacturer and disclose to the Client a description of the main characteristics of the Retail Product, its risks and the total price of the Retail Product to be paid by the Client, including all related fees, charges, and expenses, as well as providing additional material supplied by the Manufacturer to be used by the Target Market.

Section 11: Additional Product Oversight and Governance obligations applicable to Distributors

- R.3.11.47 The Rules and Guidelines in this section shall apply solely to Distributors in addition to the other Rules and Guidelines which have been established in previous sections of this Chapter.
- R.3.11.48 The Distributor shall establish, implement and review effective product oversight and governance arrangements which are specific and proportionate to its size and to its role of bringing Retail Products to the market. The arrangements shall be designed to ensure that, when bringing products to the market, the interests, objectives and characteristics of Clients are appropriately taken into account; that potential Client detriment is avoided; and that conflicts of interest are minimised.
- R.3.11.49 The Distributor shall review and update the product oversight and governance arrangements on a regular basis.
- R.3.11.50 In the interest of clarity, the Distributor's product oversight and governance arrangements must consider its obligations as included in this Section and previous Sections throughout this Chapter.
- R.3.11.51 The Distributor shall ensure that its product oversight and governance arrangements are an integral part of its general systems and controls. To that end, its Board of Directors, if relevant, shall endorse their establishment and subsequent reviews.
- G.3.11.15 *The Distributor shall use the information provided by the Manufacturer and shall have relevant knowledge and ability to determine whether a Client belongs to the Target Market. The Distributor shall in particular take due account of all relevant information allowing it to recognise the Target Market for which the Retail Product is designed, and also to recognise market segments for which the Retail Product is considered likely not to meet their interests, objectives and characteristics.*
- R.3.11.52 All actions taken by the Distributor in relation to its product oversight and governance arrangements shall be duly documented, kept for audit purposes and made available to the MFSA, or the Manufacturer, upon request.

Section 12: Other Product Governance Requirements for Credit Agreements relating to Residential Immovable Property

Applicability

- R.3.12.53 The Rules and Guidance under this Section shall solely apply to Credit Agreements relating to Residential Immovable Property as set out in the Glossary of Definitions to this Rulebook.

Conduct of Business Obligations when providing Credit to Clients

- R.3.12.54 When manufacturing credit products falling within the scope of this Section, or granting, intermediating or providing Advisory Services on credit and, where appropriate, Ancillary Services to Clients or when executing a Credit Agreement relating to Residential Immovable Property, the Regulated Person and/or the Credit Intermediary shall act honestly, fairly, transparently and professionally, taking account of the rights and interests of the Clients:

Provided that in relation to the granting, intermediating or provision of Advisory Services on credit and, where appropriate, of Ancillary Services, the activities shall be based on information about the Client's circumstances and any specific requirement made known by a Client and on reasonable assumptions about risks to the Client's situation over the term of the Credit Agreement relating to Residential Immovable Property;

Provided further that in relation to such provision of Advisory Services, the activity shall in addition be based on the information required under R.1.2.98(a).

- R.3.12.55 Regulated Persons and Credit Intermediaries shall ensure that the manner in which their Staff and the relevant Credit Intermediaries are remunerated does not impede compliance with the obligation to act in accordance with the obligation set out in R.3.12.54.
- R.3.12.56 When establishing and applying remuneration policies for Staff responsible for the assessment of creditworthiness, Regulated Persons shall comply with the following principles in a way and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities:

- a. the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Regulated Person; and
- b. the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Regulated Person, and incorporates measures to avoid conflicts of interest, in particular by providing that remuneration is not contingent on the number or proportion of applications accepted.

R.3.12.57 Regulated Persons and Credit Intermediaries providing Advisory Services shall ensure that the remuneration structure of the Staff involved does not prejudice their ability to act in the Client's best interest and in particular is not contingent on sales targets.

Foreign Currency Loans

R.3.12.58 Where a Credit Agreement relating to Residential Immovable Property is considered as a foreign currency loan, the Regulated Person shall, at the time the said Credit Agreement is concluded, at least, ensure that:

- a. the Client has a right to convert the Credit Agreement relating to Residential Immovable Property into an alternative currency under specified conditions;
- b. it has other arrangements in place to limit the exchange rate risk to which the Client is exposed under the Credit Agreement relating to Residential Immovable Property.

R.3.12.59 In accordance with R.3.12.58, the alternative currency referred to in therein shall be:

- a. the currency in which the Client primarily receives income or holds assets from which the credit is to be repaid, as indicated at the time the most recent creditworthiness assessment in relation to the Credit Agreement relating to Residential Immovable Property was made; and/or
- b. the currency of the Member State in which the Client either was resident at the time the Credit Agreement relating to Residential Immovable Property was concluded or is currently resident.

R.3.12.60 The other arrangements referred to in R.3.12.58(b) shall, at least, include a risk warning to Clients, specifying any potential foreign exchange risks which can impact the Client's repayment capability due to currency fluctuations.

- G.3.12.16 *Where the Credit Agreement relating to Residential Immovable Property is denominated in Euro ("currency A"); and the Client receives income or holds assets in currency A but also receives income or holds assets in another currency ("currency B"), the Credit Agreement will not be considered as a foreign currency loan unless the credit is to be repaid wholly or in part from the income received or assets held in currency B.*
- R.3.12.61 Where a Client has a foreign currency loan, the Regulated Person shall warn the Client on a regular basis on paper or on another Durable Medium at least where the value of the total amount payable by the Client which remains outstanding or of the regular instalments varies by more than 20% from what it would be if the exchange rate between the currency of the Credit Agreement relating to Residential Immovable Property and the currency of the Member State applicable at the time of the conclusion of the Credit Agreement relating to Residential Immovable Property were applied. The warning shall inform the Client of a rise in the total amount payable by the Client, set out where applicable the right to convert to an alternative currency and the conditions for doing so and explain any other applicable mechanism for limiting the exchange rate risk to which the Client is exposed.
- R.3.12.62 Credit Agreements relating to Residential Immovable Property and relating to a foreign currency loan in terms of R.3.12.58 to R.3.12.61 shall be disclosed to the Client in the ESIS and in the Credit Agreement relating to Residential Immovable Property. Where there is no provision in the Credit Agreement relating to Residential Immovable Property to limit the exchange rate risk to which the Client is exposed to a fluctuation in the exchange rate of less than 20%, the ESIS shall include an illustrative example of the impact of a 20% fluctuation in the exchange rate.

Section 13: Other Product Governance Requirements for Consumer Credit Agreements

Applicability

- R.3.13.63 The Rules and Guidance under this Section shall solely apply to Consumer Credit Agreements as set out in the Glossary of Definitions to this Rulebook.

Conduct of Business Obligations when providing Credit to Clients

- R.3.13.64 The Regulated Person and the Credit Intermediary shall act honestly, fairly, transparently and professionally and take account of the rights and interests of the clients when carrying out any of the following activities:
- a. manufacturing credit products;
 - b. advertising credit products in accordance with Rules R.2.2.45 and R.2.2.47A.1 to R.2.2.47A.7;
 - c. granting, intermediating or facilitating the granting of credit;
 - d. providing advisory services;
 - e. providing ancillary services to clients;
 - f. executing a credit agreement.

The activities referred to in the first subparagraph of this Rule, points (c) and (d), shall be based on information about the Client's circumstances and any specific requirement communicated by a client and on reasonable assumptions about risks to the client's situation throughout the duration of the credit agreement.

The activities referred to in the first subparagraph of this Rule, point (d), shall also be based on the information required under R.1.3.148B.3(a).

- R.3.13.65 Regulated Persons shall ensure that the manner in which they remunerate their staff and credit intermediaries and the manner in which credit intermediaries remunerate their staff do not impede compliance with the obligation set out in R.3.13.64.

- R.3.13.66 When establishing and applying remuneration policies for staff responsible for the assessment of creditworthiness, Regulated Persons shall comply with the following principles in a way and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities
- a. the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Regulated Person;
 - b. the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Regulated Person, and incorporates measures to avoid conflicts of interest, in particular by providing that remuneration is not contingent on the number or proportion of accepted applications for credit.
- R.3.13.67 Where creditors or credit intermediaries provide advisory services, the remuneration structure of the staff involved does not prejudice their ability to act in the client's best interest and is not contingent on sales targets

Annex I – Good Practice Examples

Good practice examples relate to the conduct of Manufacturers' and Distributors' tasks towards particular product oversight and governance arrangements that, if applied, will enhance consumer protection and will, as such, also contribute to ensuring the effectiveness of the financial system more generally. These approaches are considered good examples and are aimed at promoting common practices amongst Regulated Persons.

Good Practice Examples for Manufacturers

Establishment, Proportionality, Review and Documentation

1. A limit for regular review and update could be established, and/or factors that are relevant to the regularity of the review should be identified, e.g. significant changes in retail strategy, complexity of the product lines, complexity of distribution methods and distribution chain.
2. Avoiding relying on a single criterion to define whether a Retail Product is new or significantly changed, and considering instead the following set of criteria:
 - a. significant changes in the processing of the Retail Product including an extension of the product distribution, the introduction of new, or the withdrawal of existing, Retail Product or Service features;
 - b. a change in the Target Market and the introduction of a new Client market segment (including geographically) as a Target Market;
 - c. changes that affect the use of the Retail Product by the Client on a day-to-day basis;
 - d. changes for which the Client would reasonably perceive there to be a change in the level of service compared with what is currently being provided;
 - e. change in one or more material features that alter the risk profile of the Retail Product from a Client perspective and the complexity of the Retail Product.
 - f. a change in the sale conditions, a new distribution channel or the introduction of an alternative channel of selling, including the use of third parties for the sale of the Retail Product;
 - g. significant modifications to the Retail Product pursuant to new legal or regulatory rules and standards;
 - h. material changes to related processes (e.g. new outsourcing arrangements) and systems (e.g. IT change processes), but only if such changes have an impact on Clients.
3. Explicitly defining negative criteria (i.e. what a new or significantly changed Retail Product is not) and providing and recording the rationale for deciding that a Retail Product is not new or significantly changed.

Manufacturer's Internal Control Functions

4. Having defined structures and clear escalation lines and involving the risk and compliance functions. However, a process owned by the compliance or risk function is not good practice, as it may lead to that function losing some of its required independence. Process is expected to be piloted by compliance function.
5. Having specific work-flow documents and/or checklists that need to be followed to ensure that the process followed is the same for all Retail Products and that there is a clear audit trail, for example setting up a centralized documentation tool that clearly defines the roles and responsibilities of the different units and key staff involved in the product oversight and governance process. To ensure that Client needs are being considered during the process, seeking views from Clients during the design phase of the Retail Product, for instance through Client working groups or documenting the impact of the Retail Product on any potential Clients throughout all stages of the product lifecycle and monitoring complaints and errors about the Retail Products.

Target Market

6. Manufacturers could consider the following set of criteria based on Client segmentation to ensure that the Retail Product is deemed appropriate for the interest, objectives and characteristics of the Target Market, such as:
 - a. liquidity accessibility that the Client is expected to get;
 - b. the characteristics of the respective Retail Product in relation to the Client's risk aversion profile, taking into consideration the Client's financial situation;
 - c. demographic factors (e.g. age of the Client);
 - d. potential creditworthiness or financial capability of the Client and the latter's level of knowledge of such financial capability; or
 - e. relevant legislation.

In the case of Credit Agreements, Clients could be provided with different scenarios or simulations of the amount of payment of the Credit Agreement depending on the variation of the interest rate.

In the case of other Retail Products, an assessment could take account of the various competing product features, such as accessibility, yield and security, and whether the combination of these met the said interests, objectives and characteristics of the Target Market.

7. Varying the assessment depending on the risk borne by the Client and the degree of complexity and the nature and characteristics of the Retail Product. When identifying whether a new or significantly changed Retail Product would be beneficial to Clients, giving further consideration to the nature, cost and added value of the Retail Product and whether or not the Retail Product is unnecessarily complex.

8. Creating a product review template that requires the product owner / product development and/or business unit to clearly outline what measures are in place to ensure that sales are not made to non-Target Market Clients. The product approval template could be designed in a way that necessitates internal mandatory approvals.
9. Analysing whether Clients for a particular Target Market need such Retail Product or Service. Thus, the Manufacturer can rely even more on Clients' feedback, for example on Client satisfaction surveys, before the development of the Retail Product and after the product launch, focus groups for the design of the innovative Retail Product, etc.
10. Giving further consideration to innovation in the development of product oversight and governance processes, for example when targeting a broad Target Market and developing an existing Retail Product, some further consideration should be given to certain groups of Clients who lack financial literacy and technology expertise to prevent financial exclusion. Indeed, new Retail Products and Services are often seen as offering new opportunities for Clients but certain categories of Clients cannot, or do not want, to use those new services.
11. Taking into account that digital channels have been identified as a factor that facilitates access to credit by Clients, giving further attention to the risks that Clients might face due to the increasing use of digital channels when improving their product oversight and governance processes.

Product Testing

12. In the case of a Credit Agreement with a variable interest rate, the assessment could include the Client's repayment requirements at reasonably higher interest rates. On the other hand, in the case of Deposit based Retail Products, this could include, but is not limited to, the accessibility, yield and security of funds, as well as any guarantee scheme that might apply.
13. In addition, consideration of the following testing phases can also be made:
 - a. progressive testing, that includes all newly developed features and processes;
 - b. regressive testing, that includes retesting of all existing features to ensure that new development does not break what already exists;
 - c. post-implementation testing that includes for example that, after the development, end-users test the Retail Product before its launch in production so that where an evaluation of the user experience and user interface can take place.

In line with the principle of proportionality, when Retail Products are simple and have very broad Target Markets, testing could also focus on whether Clients know and understand what they are buying and on planned Client communication. By contrast, for more complex Retail Products or Retail Products that may be riskier

for Clients, such as credit products, identified scenarios will be tested with a view to identifying the way in which the intended Target Market would be affected.

14. Including testing methodologies within the Manufacturer's product oversight and governance policy, for example creating a centralized documentation tool with a clear definition of the roles and responsibilities of the different units in terms of product oversight and governance and an explanation of the performance of a catalogue testing to avoid overlaps among Retail Products offered.
15. Formalising a framework/tool (e.g. using business analysis tool to track the environment in which the Regulated Person is operating or is planning to launch a new project/product/service) to undertake an assessment of the current and potential future impact of the external environment on product performance to inform product testing (stress/scenario/simulation). It could also be done by the use of customer research and pilot (or limited) releases to assess the way in which the Retail Product would affect the Target Market. It could enable the Manufacturer to assess the position of a new Retail Product in the light of the Manufacturer's product offerings, to identify, among other things, possible overlaps and any resultant confusion for Clients.
16. Testing a number of scenarios with a simulation of the provision of Retail Products or Services, during which potential Clients could express their views at each of the steps taken, to get an objective feedback on the process.
17. Inclusion of testing against the Negative Target Market (e.g. whether individuals below the age of 18 years could apply for an access the Retail Product when only Clients aged over 18 years are targeted) and testing of different communication channels.

Product Monitoring

18. The Manufacturer could make changes to product features such as charges, interest rates, and applicability of protection schemes only if such changes were consistent with the interests, objectives and characteristics of the Target Market.
19. Having regular reviews and establishing specific frequencies for such reviews on product monitoring are good practice, including when the frequency of the review is dependent on the riskiness for customers and/or the complexity or the specific features of the product. Carrying out more frequent monitoring of more complex and risky Retail Products and always taking specific measures to solve the situation identified if a problem is identified with a specific Retail Product.
20. Undertaking lifecycle reviews more frequently based on the output of ongoing monitoring of Retail Products and Services. When implementing their PGOP, Manufacturers may consider giving explicit considerations to the result of the monitoring for the Retail Product classification (e.g. in order to prioritize remedial initiatives). For example, where a Client-impacting event is identified, the event

could be graded as Tier 1, 2 or 3 or similar manner. If a Tier 1 event occurs at any time during the lifecycle of a Retail Product or Service, then the next scheduled review would include a recommendation from the relevant product committee about whether to bring forward the next scheduled review period. The post-product-review process would require that a lessons learnt review is undertaken and presented to the relevant product committee, in a period of for instance, 6 months after the withdrawal of every material Retail Product.

Remedial Action

21. A remedial action could be taken when the Retail Product no longer meets the general needs of the Target Market or when the product performance significantly differs from what the Manufacturer originally expected and in a way that causes Client detriment.
22. Including Client centric information such as direct consumer feedback. This could include the analysis of statistical indicators measuring Client behaviour and Client activity as well as an analysis of Client complaints received in order to better gauge any necessary remedial action that might be necessary.

Distribution Channels

23. In the case of credit-based Retail Products, the Manufacturer could monitor the sales volumes across various risk characteristics, such as loan-to-income ratios and loan-to-value ratios and, where possible, conduct a comparison of such characteristics between sales made by its own staff and those made by external distribution channels.
24. Determining whether the distribution channels are appropriate by assessing the following elements which focus on interests, objectives and characteristics of Clients:
 - a. the identified target group with consideration for the needs, knowledge and financial capability of the Clients;
 - b. the knowledge, expertise and capability of the Distributor to market the Retail Products and Services correctly; and
 - c. the information provided to the Clients, checking if the relevant information has been provided to the Clients including information about the Retail Product's characteristics and risks.
25. Manufacturers ensure that the Distributors commit to the following steps:
 - a. verifying that the Retail Products are in line with the needs, interests, objectives and characteristics of the Clients within the Target Market;
 - b. providing adequate training to staff so they can sell the Retail Product to the correct Target Market;
 - c. Distributors maintain the Retail Product they distribute in an unmodified form;
 - d. using only product documentation approved by the Manufacturer; and
 - e. Distributors monitor the conduct of their sales staff.

Good Practice Examples for Distributors

26. Distributors should ensure that they commit to the following steps:
 - a. verifying that the Retail Products are in line with the needs, interests, objectives and characteristics of the Clients within the Target Market;
 - b. providing adequate training to staff so they can sell the Retail Product to the correct Target Market;
 - c. maintain the Retail Product they distribute in an unmodified form;
 - d. using only product documentation approved by the Manufacturer; and
 - e. monitor the conduct of their sales staff.
27. Distributors should have sufficient knowledge of the Target Market. In the case of Deposit based Retail Products, the Distributor could take account of the various competing product features, such as accessibility, yield and security, and whether the combination of these meet the said interests, objectives and characteristics of the Target Market.
28. Distributors should have a clear policy on how to respond to selling outside the Target Market.

Chapter 4 Conflicts of Interest

Introduction

In the course of providing services to their Clients, circumstances may arise through which a potential or actual conflict of interest may cause a material risk to one or more of the Regulated Person's Clients. More specifically, a conflict of interest exists if a decision-making party is to some degree biased in favour one specific outcome over any other. Situations of conflicts of interest therefore refer to those circumstances which have an impact on the Regulated Person and its ability to perform objectively and fairly with respect to one or more Client. Consequently, such situations must be addressed appropriately in order to ensure that Regulated Persons always operate in the best interest of their Clients.

From a conduct of business perspective and with respect to Regulated Persons in scope of this Rulebook, the mis-selling of Retail Products can lead to significant Client detriment. This chapter aims to address any shortcomings and requires Regulated Persons offering Retail Products to have in place adequate measures in identifying, managing and, as a means of last resort, reporting instances of conflicts of interest. The applicable framework should give Clients peace of mind that Regulated Persons are bound to implement measures which take account of the interests of the Client, based on the information available to the Regulated Person at that moment in time, including reasonable assumptions relating to the Client's situation and the Retail Product/s being proposed. A key aspect of ensuring such consumer confidence is the requirement to ensure a high degree of fairness, honesty and professionalism in the industry; appropriate management of conflicts of interest including those arising from remuneration; as well as the overarching obligation that the service is to be provided in the best interests of the Client.

The chapter covers the key principles Regulated Persons must nurture through the applicability of their various policies and procedures in order to empower all staff and management alike to constantly act in the best interest of Clients. Indeed, the chapter distinguishes between general requirements and those specific for certain categories of staff.

The element of remuneration is also covered in this chapter in so far as it may give rise to conflicts between the Regulated Person's commercial interest and its duties to act in the best interest of its Clients. Subsequently, a focus on remuneration policy rules, including aspects such as approval, design features, documentation and oversight, are addressed due to the high degree of interoperability between remuneration and conflicts of interest policies.

The chapter concludes with reference to a number of general obligations around record keeping requirements and elements of oversight in so far as they relate to conflicts of interest.

Section 1: General Rules

- R.4.1.1 A Regulated Person shall act honestly, fairly and professionally in accordance with the best interests of its Clients.
- R.4.1.2 A Regulated Person should establish effective organisational and administrative arrangements to avoid conflicts of interest. When this is not possible, due controls and mitigation measures should be put in place by the Regulated Person and full internal disclosures are to be maintained at the right fora. However, when a conflict of interest is such that it affects or could potentially affect the Client, this conflict of interest needs to be disclosed to the said Client by the Regulated Person.
- R.4.1.3 For the purposes of a disclosure of conflicts of interest, the Regulated Person shall do all the following:
- a. provide a specific description of the conflict of interest in question;
 - b. explain the general nature and sources of the conflict of interest;
 - c. explain the risks to the Client that arise as a result of the conflict of interest and the steps undertaken to mitigate those risks;
 - d. clearly state that the organisational and administrative arrangements established by the Regulated Person to prevent or manage the conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Client will be prevented.
- Provided that, the disclosure of conflicts of interest by a Regulated Person do not exempt it from the obligation to maintain and operate the organisational and administrative arrangements which are the most effective means of preventing damage to Clients.
- R.4.1.4 A Regulated Person shall adopt appropriate and transparent reporting lines within its organisation or group, where applicable, to ensure that issues involving risks of non-compliance with conflicts of interest rules and wider conduct of business rules are given the necessary priority. The Board of Directors of the Regulated Person shall be promptly informed of such risks in order for them to take any necessary decision to ensure that in any case the Regulated Person acts in the best interest of its Clients.
- R.4.1.5 Those individuals employed by the Regulated Person who are involved in the decision-making process in providing a Retail Product shall declare any conflicts of interest that may arise in such decision-making, and abstain themselves from the approval process in line with the Regulated Person's Conflict of Interest Policy.

- R.4.1.6 A Regulated Person shall establish, implement and maintain effective organisational and administrative arrangements appropriate to the size and organization of the Regulated Person and the nature, scale and complexity of its business, to prevent conflicts of interest from adversely affecting the interests of its Clients.
- R.4.1.7 Pursuant to R.4.1.6, a Regulated Persons should define, in a clear and transparent manner, the allocation of responsibilities and authority within the organisation, including within and between business lines, units and functions, including risk management. To this end, Regulated Persons should clearly define functions responsible for performing the various tasks related to credit risk taking and the credit decision-making process, specified in a way that does not lead to a conflict of interest and ensures the effective management of credit risk.
- G.4.1.1 *Regulated Persons should ensure that there are effective Chinese walls in place between the different business areas of the Regulated Person, and between the Regulated Person and its connected parties, in relation to information which could potentially give rise to a conflict of interest or be open to abuse.*
- G.4.1.2 *Regulated Persons should ensure that written procedures are in place relating to the maintenance of Chinese walls, and the consequences of breaches of Chinese walls. These procedures must be notified to all relevant officers and employees of the Regulated Person.*
- R.4.1.8 The circumstances which should be treated as giving rise to a conflict of interest should cover cases where there is a conflict between the interests of the Regulated Person or certain persons connected to the Regulated Person or the group of which the Regulated Person forms part, or from the performance of Services and activities, and the duty the Regulated Person owes to a Client.
- G.4.1.3 *It is not enough that the Regulated Person may gain a benefit if there is not also a possible disadvantage to a Client, or that one Client to whom the Regulated Person owes a duty may make a gain or avoid a loss without there being a concomitant possible loss to another such Client.*
- R.4.1.9 Regulated Persons shall take all appropriate steps to identify and to prevent or manage conflicts of interest between themselves, including their managers, employees and Credit Intermediaries, or any person directly or indirectly linked to them by control and their Clients or between the interests of one Client and another, including those caused by a Regulated Person's own remuneration and other incentive structures.

- R.4.1.10 For the purposes of identifying types of conflicts of interest that may adversely affect the interests of a Client, a Regulated Person shall take into account, by way of minimum criteria, whether the Regulated Person or a Relevant Person, or a person directly or indirectly linked by way of control to the Regulated Person, is in any of the following situations, whether as a result of providing Services or activities or otherwise:
- a. the Regulated Person or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client; or
 - b. the Regulated Person or that person has an interest in the outcome of a Service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome; or
 - c. the Regulated Person or that person has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of the Client.

- R.4.1.11 A Regulated Person shall establish, implement and maintain conflicts of interest policies and practices, including policies related to remuneration which ensure that remuneration practices adopted by the Regulated Person do not give rise to conflicts of interest which could, in the short, medium and long term adversely affect the interests of its Clients.

Further provisions on remuneration policies and practices are covered under the Section entitled Remuneration Policy Rules.

The Rules and guidelines set out in this Chapter shall be applicable to Regulated Persons without prejudice to, and in addition to, the requirements set out in [Banking Rule 21](#) on Remuneration Policies and Practices and EBA Guidelines on remuneration policies and practices related to the sale and provision of Retail Products and services ([EBA/GL/2016/06](#)).

- R.4.1.12 A Regulated Person shall not be regarded as fulfilling its obligations under R.4.1.1, or under R.4.1.6 where it pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit in connection with the provision of a Service, to or by any party except the Client or a person on behalf of the Client, other than where the fee, commission, payment or benefit does not impair compliance with the Regulated Person's duty to act in the best interests of the Client.

- G.4.1.4 *Regulated Persons should take reasonable steps to ensure that it or any of its officers or employees does not offer, give, solicit or accept any gifts or rewards (monetary or otherwise) likely to conflict with any duties of the recipient in relation to his or her activities within the Regulated Person, or the Regulated Person itself.*

- G.4.1.5** *It is recommended that the Regulated Person should refer to the non-exhaustive list of scenarios provided in Annex I to this Chapter when cross-selling practices are deemed to be non-compliant with the requirements of R.4.1.1.*

Section 2: Conflict of Interest Policy Rules

- R.4.2.13** The Board of Directors of a Regulated Person shall be responsible for establishing, approving and overseeing the implementation and maintenance of effective policies to identify, assess, manage and mitigate or prevent actual and potential conflicts of interest.
- R.4.2.14** Regulated Persons shall therefore establish, implement and maintain an effective Conflicts of Interest Policy set out in writing which is appropriate to the size and organisation of the Regulated Person and the nature, scale and complexity of its business, to prevent conflicts of interest from adversely affecting the interests of its Clients.
- R.4.2.15** Where the Regulated Person is a member of a group, the policy shall also take into account any circumstances of which the Regulated Person is, or should be aware, which may give rise to a conflict of interest resulting from the structure and business activities of other members of the group.
- R.4.2.16** The Conflicts of Interest Policy established in accordance with R.4.2.14 shall be set out in writing and shall include the following:
- a. the identification of the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more Clients, with reference to the specific Services carried out by or on behalf of the Regulated Person;
 - b. procedures to be followed and measures to be adopted in order to manage such conflicts and to prevent such conflicts from damaging the interests of Clients.
- R.4.2.17** Regulated Persons shall ensure that the procedures and measures provided for in R.4.2.16(b) are designed to ensure that Relevant Persons engaged in different business activities involving a conflict of interest of the kind specified in R.4.2.16(a) carry on those activities at a level of independence appropriate to the size and activities of the Regulated Person and of the group to which it belongs, and to the risk of damage to the interests of Clients.
- R.4.2.18** For the purposes of R.4.2.16(b), the procedures to be followed and measures to be adopted shall include at least such of the following as are necessary for the Regulated Person to ensure the requisite degree of independence:

- a. effective procedures to prevent or control the exchange of information between Relevant Persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more Clients;
- b. the separate supervision of Relevant Persons whose principal functions involve carrying out activities on behalf of, or providing Services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Regulated Person;
- c. the removal of any direct link between payments, including the remuneration of Relevant Persons principally engaged in one activity and the remuneration of, or revenues generated by, different Relevant Persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- d. measures to prevent or limit any person from exercising inappropriate influence over the way in which a Relevant Person carries out a Service;
- e. measures to prevent or control the simultaneous or sequential involvement of a Relevant Person in a separate Service where such involvement may impair the proper management of conflicts of interest.

R.4.2.19 For the purposes of R.4.2.16(b), the procedures to be followed and measures to be adopted shall also relate to any gifts and benefits policy, which should determine clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.

R.4.2.20 If the adoption or the practice of one or more of the measures and procedures referred to in R.4.1.9 does not ensure the requisite degree of independence, a Regulated Person shall adopt such alternative or additional measures and procedures as are necessary and appropriate for those purposes.

R.4.2.21 The Regulated Person shall assess and periodically review, at least annually, the Conflicts of Interest Policy established in accordance with R.4.2.14, R.4.2.16, and R.4.2.17, R.1.1.63 and R.1.1.64 and shall take all appropriate measures to address any deficiencies. Over-reliance on disclosure of conflicts of interest shall be considered a deficiency in the Regulated Person's Conflicts of Interest Policy.

R.4.2.22 Regulated Persons shall ensure that the Conflicts of Interest Policy contains appropriate internal alert procedures which allow Relevant Persons to report potential or actual breaches within the appropriate units of the Regulated Person. The alert procedure shall be made available to all staff within a Regulated Person.

Section 3: Remuneration Policy Rules

General Requirements

- R.4.3.23 The provisions under this subtitle relating to the 'Remuneration Policy Rules' shall apply to all Relevant Persons within a Regulated Person who can have a material impact, directly or indirectly, on Services provided by the Regulated Person or on its corporate behaviour, to the extent that the remuneration of such persons and related non-financial incentives may create a conflict of interest that encourages them to act against the interests of the Clients.
- G.4.3.6 *The Board of Directors of a Regulated Person should assume clear responsibilities across the business cycle of the Regulated Person, in the areas of the identification and definition of the strategic objectives, including the remuneration of sales Staff and the approval of new Retail Products for distribution to Clients.*
- R.4.3.24 Relevant Persons shall not be remunerated and shall not have their performance assessed in a way that conflicts with the Regulated Person's duty to act in the best interests of its Clients as set out in R.4.1.1, in particular, through remuneration, sales targets or otherwise which provide an incentive to itself or its employees for recommending or selling a particular Retail Product to a Client when another Retail Product may be better suited to meet the Client's needs.
- G.4.3.7 *Where a Regulated Person's remuneration policies and practices link remuneration directly to the sale of specific Retail Products or a specific category of such Retail Product, this could indicate that a Regulated Person is not in compliance with conduct of business or conflict of interest requirements.*
- R.4.3.25 Regulated Persons shall also ensure that the Board of Directors defines, approves and oversees a remuneration policy of persons involved in the provision of Retail Products and Services to Clients aiming to encourage responsible business conduct, fair treatment of Clients as well as avoiding conflict of interest in the relationships with Clients.

- R.4.3.26 In defining its remuneration policies, a Regulated Person shall ensure that:
- a. Clients are treated fairly, and their interests are not impaired by the remuneration practices adopted by the Regulated Person in the short, medium or long term;
 - b. remuneration policies and practices do not create a conflict of interest or incentive through any monetary and/or non-monetary forms of remuneration that may lead Relevant Persons to favour their own interests or the Regulated Person's interest to the potential detriment of Clients; and
 - c. Staff are not remunerated in a manner which impedes compliance with their obligation to act in good faith and with honesty and integrity.
- R.4.3.27 When designing remuneration policies and practices, a Regulated Person shall also take into consideration all relevant factors such as, but not limited to, the role performed by Relevant Persons, the type of Retail Product or Service offered and the methods of distribution, face-to-face or through telecommunications, in order to prevent potential conduct of business and conflict of interest risks from adversely affecting the interests of its Clients and to ensure that the Regulated Person adequately manages any related residual risk.
- R.4.3.28 When designing remuneration policies and practices, a Regulated Person shall ensure that the ratio between the fixed and variable components of the remuneration is appropriate in order to take into account the best interests of their Clients.
- R.4.3.29 The remuneration policies and practices shall allow for the operation of a flexible policy on variable remuneration, including, where appropriate, the possibility to pay no variable remuneration at all.
- R.4.3.30 When assessing performance for the purposes of determining variable remuneration, a Regulated Person should not only take sales volumes into account as this can create conflicts of interest which can ultimately result in detriment to the Client.
- R.4.3.31 A Regulated Person's remuneration policies and practices shall define appropriate criteria to be used to assess the performance of Relevant Persons, which assessment shall not be solely or predominantly based on quantitative commercial criteria, but shall be based on qualitative criteria encouraging the Relevant Persons to act in the best interests of the Client.

- R.4.3.32 In relation to R.4.3.28, Regulated Persons shall not design remuneration policies and practices that:
- a. solely link remuneration to a quantitative target for the offer or provision of Retail Products and services; or
 - b. promote the offer or provision of a specific Retail Product or category of Retail Products over other Retail Products, such as Retail Products which are more profitable for the Regulated Persons or for a Relevant Person, to the detriment of the Client.
- R.4.3.33 Where remuneration is, in whole or in part, variable, a Regulated Person's remuneration policies and practices shall define appropriate criteria to be used to align the interests of the Relevant Persons or the Regulated Person and that of the Clients.
- R.4.3.34 As further detailed in R.4.3.47 and associated guidance G.4.3.8 to G.4.3.10, a Regulated Person's remuneration policies and practices shall include and provide for the maintenance of measures enabling the Regulated Person to effectively identify where the Relevant Person fails to act in the best interests of the Client and to take remedial action.
- R.4.3.35 Relevant Persons shall be clearly informed, at the outset, of the criteria that will be used to determine the amount of their remuneration and the steps and timing of their performance reviews. The criteria used by Regulated Persons to assess the performance of Relevant Persons should be recorded in a manner which is easily accessible and understandable.
- R.4.3.36 A Regulated Person should avoid creating unnecessarily complex policies and practices (such as combinations of different policies and practices, or multi-faceted schemes, which increase the risk that Relevant Persons' behaviour will not be driven to act in the best interests of Clients, and that any controls in place will not be as effective to identify the risk of detriment to the Client). This may potentially lead to inconsistent approaches and hamper proper knowledge or control of the policies by the compliance function.
- R.4.3.37 A Regulated Person shall ensure that the organisational measures it adopts regarding the launch of new Retail Products appropriately take into account their remuneration policy and the risks that these Retail Products may pose. In particular, before launching a new Retail Product, a Regulated Person shall assess whether the remuneration features related to the distribution of that Retail Product comply with the Regulated Person's remuneration policy and therefore do not pose conduct of business and conflicts of interest risks. This process shall be appropriately documented by Regulated Persons.

- R.4.3.38 A Regulated Person shall set up and maintain adequate controls to ensure compliance with its remuneration policies and practices to ensure that they deliver the intended outcomes.
- R.4.3.39 The remuneration policies and practices should be easily accessible to all relevant persons of the Regulated Person.
- R.4.3.40 The Board of Directors shall approve and retain ultimate responsibility for the Regulated Person's remuneration policies and practices.
- R.4.3.41 The Board of Directors shall also seek advice from the remuneration committee, where established, on the Regulated Person's remuneration policies and practices in relation to the fulfilment of R.4.3.23 to R.4.3.46.
- R.4.3.42 The compliance function of the Regulated Person shall confirm that the remuneration policies and practices comply with the requirements of this Section titled 'Remuneration Policy Rules'.
- Specifically, the Compliance Officer of the Regulated Person shall verify that the Regulated Person's remuneration policies and practices comply with conduct of business and conflicts of interest requirements, and shall therefore also have access to all relevant documents.
- R.4.3.43 Changes to the remuneration policies and practices shall only be made with the approval of the Remuneration and Nominations Committee and/or Board of Directors as required.
- R.4.3.44 A Regulated Person shall define and implement remuneration policies and practices under appropriate internal procedures taking into account the interests of all Clients. Regulated Persons shall review, at least annually, their remuneration policies and practices to ensure compliance with the requirements of R.4.3.23 to R.4.3.46.
- In particular, where a Regulated Person identifies that a residual risk of Clients' detriment might arise as a result of the design of remuneration policies and practices as referred to above, the Regulated Person shall assess under the review, whether any of these residual risks are crystallising and causing detriment to Clients.
- R.4.3.45 Where the review reveals that a Regulated Person's remuneration policies and practices do not operate as intended or prescribed, the Regulated Person shall amend its remuneration policies and practices in accordance with the requirements of R.4.3.23 to R.4.3.46.

- R.4.3.46 Regulated Persons shall establish effective controls to check that their remuneration policies and practices are being adhered to, and to identify and address incidents of non-compliance with the requirements of R.4.3.23 to R.4.3.46.

Conflicts of Interest in the Remuneration Structures of Sales Staff

- R.4.3.47 In addition to the requirement of R.4.3.24, Regulated Persons which distribute Tied or Bundled packages must ensure that suitable remuneration models and sales incentives encouraging responsible business conduct, fair treatment of Clients and avoidance of conflicts of interest for Staff selling the Tied or Bundled package are in place and are monitored by senior management.
- G.4.3.8 *A Regulated Person should refrain from operating remuneration policies, practices and performance-based competitions that encourage sales Staff who may be remunerated on a commission basis to 'push' the sale of the Bundled package and which may therefore encourage the unnecessary/unsuitable sales of either a component of the package or the package itself. For instance, if sales Staff were incentivised to cross-sell a loan with any financial product or service, then as a result of this remuneration structure, there would be the risk of incentivising a potential mis-selling of the loan and therefore also of the package.*
- G.4.3.9 *A Regulated Person should avoid remuneration policies and practices which reduce sales' staff basic salary substantially if a specific sales target in relation to the Bundled or Tied package is not met; thereby reducing the risk that the sales person will make inappropriate sales of the Bundled package to avoid this outcome.*
- G.4.3.10 *A Regulated Person should avoid reducing bonus or incentive payments earned by sales Staff because a sales target or threshold for the Bundled package has not been met.*

Section 4: Record Keeping Requirements

- R.4.4.48 Regulated Persons shall keep and regularly update a record of the situations, Service or activity carried out by or on behalf of the Regulated Person in which a conflict of interest entailing a risk of damage to the interests of one or more Clients has arisen or, in the case of an ongoing Service or activity, may arise. Senior management shall receive on a frequent basis, and at least annually, written reports on situations referred to in this Rule.
- R.4.4.49 Regulated Persons shall establish specific arrangements and internal procedures enabling the Regulated Person to identify, classify and evaluate all types of fees, commissions and non-monetary benefits prior to the provision of any Retail Product or Service provided to its Clients.
- G.4.4.11 *The arrangements and internal procedures referred to in R.4.4.49 should be followed when assessing the legitimacy of the payments and non-monetary benefits, and the basis for the decision/evaluation process should also be indicated.*

Section 5: Oversight

- R.4.5.50 The Regulated Person should identify all potential conflicts of interests arising from other activities of the Regulated Person itself or of other members in its group, and implement appropriate management procedures. In some cases, if the conflict of interest cannot be managed by procedures or arrangements, the only way to manage the conflict would be for the Regulated Person not to engage in the operation.

Annex I – Examples of Detrimental Cross-Selling Practices

The non-exhaustive examples below provide guidance on situations in which cross-selling practices may be deemed non-compliant with the obligations laid down in G.4.1.5.

Examples with a monetary detriment

Example 1

Offering two products together – such as a credit agreement and a payment account – in a package where the price of the offer is higher than the price of each component separately offered by the same Regulated Person (as long as the products have the exact same features in both instances).

Example 2

Inducing a Client to buy a cross-selling offer by advertising/promoting the fact that, as of the day of sale, the overall amount of costs and charges payable by the Client is below the cumulated price of each component as sold separately, where in reality this amount of costs and charges are already scheduled to be raised to a higher amount overtime due, for instance, to the accumulation of running costs/fees.

Example of purchase of unwanted or unnecessary products

Example 3

Offering a product bundled with another product – for example a credit agreement which is bundled together with a specific payment account – that has not been requested by the Client when the Regulated Person is aware or should be aware that the bundled product unnecessarily duplicates another product that the Client already has (for example where the Client already holds a payment account with the same Regulated Person) and cannot benefit from the additional product within the bundled package.

Annex II – Examples of Instances leading to Conflicts of Interest detrimental to the Client

The non-exhaustive list of examples below provides guidance on situations within the context of banking relationships between Regulated Persons and their Clients on Retail Products that could lead to conflicts of interest being detrimental to the Client. Some of these examples include instances of conflicts of interest which are already mitigated and managed by the Regulated Person's Conflict of Interest Policy rules and should therefore be read in conjunction with the contents of this Chapter. Other examples may not be directly governed by such policy rules but have been included in this appendix for illustrative purposes.

Example 1

Where the Client is an employee, member of the Board of Directors, key official or director of the same Regulated Person and is therefore treated differently to other Clients due to any perceived conflict of interest.

Example 2

Where the Client is treated differently due to the fact that he/she is a director or a key official of an entity whereby such other entity is:

- a. providing or being considered to potentially start providing a service to the Regulated Person;
- b. is a corporate client for other services offered by the Regulated Person;
- c. operates as an investment vehicle for the Regulated Person;
- d. operates in the same market of the Regulated Person, potentially in competition.

Example 3

Where an employee of the Regulated Person is induced to sell more of a Retail Product over another type of Retail Product to a Client due to a higher commission or non-monetary reward gained even though the latter Retail Product would be more appropriate for the Client's needs.

Example 4

Where the Regulated Person is offering Retail Products that are part of a Tying or Bundled practice together with other financial products e.g. an insurance product, that is being offered by a legal entity pertaining to the same group of companies of the Regulated Person. The Regulated Person might be induced to lead the Client into believing that this bundled package is suitable for his needs in order to maximise group revenue.

Example 5

The Regulated Person may have a financial or other incentive to favour the interest of a particular Client or group of Clients over the interests of another Client.

Chapter 5 Bank-Client Relationship

Introduction

Retail banking Clients should be treated honestly, fairly and professionally throughout all stages of their relationship with Regulated Persons, irrespective of the product/s which form the basis of such relationship. In providing services to clients, Regulated Persons should ensure that they act in their Clients' best interests. This Chapter highlights a number of key areas which promote Clients' protection from the initial stages of the Bank-Client relationship, including origination and issuance of the Retail Product up to the end of its lifetime. The Rules and Guidelines included in this Chapter should also be viewed alongside the ones under Chapter 1 which highlight a Regulated Person's disclosure requirements with respect to its Clients, particularly when key changes to a Retail Product or Service, or a significant change to any applicable contractual provisions, are expected to come into force.

Amongst others, this Chapter identifies a number of Rules and Guidelines which apply in determining whether a desired Retail Product is relevant to a Client or otherwise. Practices such as thorough creditworthiness assessments are vital in ensuring a Client's protection against over indebtedness and bankruptcy, thereby creating the necessary conditions for responsible lending. Notwithstanding, a common message that is conveyed throughout the Chapter is that the best interest of the Client should be the focal point along the whole customer journey in the context of the Bank-Client relationship as applicable for all Retail Products.

Moreover, the Chapter also makes specific reference to a Regulated Person's expected conduct when Clients encounter payment difficulties or other challenges in fulfilling their obligations towards the Regulated Person, including the inability to make timely repayments on a Credit Agreement as well as conduct which may lead to dormancy or closure of a Payment Account. The Regulated Person's chosen course of action should always be a measured one which caters for the individual Client's circumstances and one which affords ample time for the Client to rectify the situation.

Section 1: General Rules

General Requirements

- R.5.1.1 When providing Retail Products and Services to Clients, a Regulated Person shall:
- a. act honestly, fairly and professionally in accordance with the best interests of its Clients;
 - b. at all times carry out the regulated activities with utmost good faith, integrity, due skill, care and diligence;
 - c. do everything which is reasonably possible to satisfy the needs and requirements of its Clients and shall place the interests of those Clients before all other considerations. Subject to these requirements and interests, a Regulated Person shall have proper regard for others.

- R.5.1.2 Pursuant to R.5.1.1, Regulated Persons can offer Retail Products and Services to Clients through a number of different channels, including but not limited to Retail Products and Services:
- a. offered at physical branches;
 - b. disseminated through ATMs at different locations;
 - c. offered over the internet through the use of a website;
 - d. provided through internet banking and/or mobile banking;
 - e. provided through telephone banking.

Irrespective of which any of these channels is used through which the Regulated Person delivers the Retail Product or Service, the said Regulated Person must ensure that the service it delivers is provided consistently, efficiently and in a manner that Client's best interest is safeguarded irrespective of which channel is used to establish and exercise the Banking-Client relationship.

- R.5.1.3 A Regulated Person shall draw up a customer charter, which shall be aimed at providing:
- a. In the case of opening of Deposit Accounts:
 - i) guidance on the process which is to be undertaken for the purpose of opening a Deposit Account with the Regulated Person, including applicable timelines;
 - ii) a list of documentation and data which is expected from the Client in support of its application for the opening of a Deposit Account;
 - iii) any fees applicable in connection with the opening, operation, maintenance and closing of a Deposit Account;

- iv) information on whether the Regulated Person offers the possibility of an internal appeal or review mechanism of any refusal or deemed refusal, and to the extent that it does offer for the possibility of such appeal or review, the way such internal review or appeal process may be undertaken, together with any relevant timings; and
 - v) information on the remedy available in certain instances to have a refusal by the Regulated Person reviewed by any third party in terms of Maltese Law.
- b. In the case of issuing Credit Agreements:
- i) guidance on the process which is to be undertaken in connection with the credit application process by an applicant with the Regulated Person, including applicable timelines;
 - ii) a list of documentation and data which is expected from the Client in support of its credit application;
 - iii) to the extent applicable, the Regulated Person's requirements regarding security and/or collateral required in connection with a Credit Agreement;
 - iv) information on whether the Regulated Person offers the possibility of an internal appeal or review of any refusal or deemed refusal, and to the extent that it does offer for the possibility of such appeal or review, the way such internal review or appeal process may be undertaken, together with any relevant timings; and
 - v) information on the remedy available in certain instances to have a refusal by a financial services provider reviewed by a third party in terms of Maltese Law.

The period for any relevant timings (for both the opening of Deposit Accounts and the issuing of Credit Agreements) is to start running from the date of full and complete submission by the client of all the documentation requested by the bank.

R.5.1.4 The information set out in the customer charter referred to in R.5.1.3 shall be made available online on the Regulated Person's website and, if so requested by the Client, on a Durable Medium free of charge. It shall be the duty of the Regulated Person to keep such information updated at all times.

R.5.1.5 Regulated Persons shall:

- a. review their business model and strategy on a regular basis so as to ensure that the conduct of their business and the manner in which they treat their Clients place them at the centre of their operations;
- b. identify conduct risks and set up processes to ensure that such risks are measured, mitigated and monitored;

- c. ensure that conduct risks are known to key personnel within the Regulated Person, including members of the Board of Directors. Members of the Board of Directors may be required to address any concern/s the MFSA may have with respect to the Regulated Person's operation;
- d. ensure that there are clear levels of responsibilities, clear establishment of target markets, appropriate distribution channels, and clear communication with Clients;
- e. monitor the performance management, employee development and reward programmes incentivising staff members to ensure that the way a Regulated Person remunerates or assesses performance of its staff does not conflict with its duty to act in the best interests of its Clients.

R.5.1.6 The Board of Directors of the Regulated Person shall ensure that in all the decisions it takes with respect to the operation of the Regulated Person, it gives paramount importance to the conduct of its business vis-a-vis the Clients of the Regulated Person.

R.5.1.7 In order to comply with the requirements of R.5.1.1, a Regulated Person shall, *inter alia*:

- a. seek from its Clients information relevant to the Retail Product or Service requested;
- b. in the completion of any document, make it clear that all the answers or statements regarding the Client's personal details and circumstances are the Client's own responsibility. The Client should always be required to assume responsibility for the completed document and be advised that, incomplete and/or inaccurate information may prejudice the Client's rights or the provision of the requested products;
- c. not withhold from the Client any written evidence or documentation relating to the Retail Product or Service without adequate and justifiable reasons being disclosed in writing and without delay to the Client;
- d. not recklessly, negligently or deliberately mislead Clients to the real or perceived advantages or disadvantages of any Retail Product or Service;
- e. ensure that all instructions from or on behalf of a Client are processed properly and promptly;
- f. have proper regard for the wishes of a Client who seeks to terminate any agreement with it to carry out business;
- g. seek to avoid conflicts of interest;
- h. not exert undue pressure or undue influence on a Client;
- i. ensure that it only provides Information relevant to Retail Products or Services which the Regulated Person considers to meet the Clients' needs;
- j. treat all information supplied by the Client with complete confidentiality; and

- k. not request Clients to sign declarations to the effect that s/he has understood and accepts certain features of the Product or that s/he is relying on his/her own skill, judgement and expertise in order to purchase Retail Products.

R.5.1.8 Regulated Persons shall have adequate policies and procedures to ensure that Retail Products and Services offered are fair and transparent. Such policies and procedures should ensure a consistent and consumer-centric approach and an efficient service, whilst ensuring the best interest of the Clients throughout the customer journey, notwithstanding the channels used in providing the Retail Product or Service.

R.5.1.9 As part of providing an efficient service level to Clients, Regulated Persons shall inform their Clients immediately upon information of potential scams and/or cyber threats, together with information that a Client should know to avoid entering into such transactions.

In this regard, Regulated Persons shall provide on their website and social media communication platforms adequate and updated information with respect to scams and the consequences of providing passwords or credentials to unauthorised persons.

R.5.1.10 When a Client is impacted by a scam and notifies the Regulated Person of such a situation, the Regulated Person shall act immediately and assist the Client in recovering any amounts lost where this is possible.

R.5.1.11 Regulated Persons should educate Clients on the usage of digitalised services they offer, whereas Clients should still be offered the possibility to set up meetings with dedicated staff who can provide demonstrations to assist them in the usage of such digitalised services.

R.5.1.12 In cases where erroneous transactions have taken place from the Regulated Person's side, the Regulated Person shall reverse such erroneous transaction/s immediately at no additional cost to the impacted Client.

Subsequently and within a reasonable period of time, the Regulated Person should inform the impacted Client about such erroneous transaction and its effective reversal, together with an explanation as to why it might have occurred and how has it been resolved. If reversing the transaction cannot be made effective immediately, the Regulated Person should explain this fact to the impacted Client and provide a reasonable timeline of when the matter will be resolved.

- R.5.1.13 Any information acquired by a Regulated Person from a Client shall not be used or disclosed except in the normal course of negotiating, maintaining or renewing a Retail Product or Service for that Client or in accordance with the provisions of specific legislation or unless the consent of the Client has been obtained.
- R.5.1.14 Where a Regulated Person deals with a person who is acting for a Client under a power of attorney, the Regulated Person shall:
- obtain a certified copy of the power of attorney;
 - ensure that the power of attorney allows the person to act on the Client's behalf;
 - operate within the limitations set out in the power of attorney; and
 - obtain contact details of the person having the power of attorney.
- R.5.1.15 When providing Retail Products or Services from a place of business or from any other place accessible to the public, the Regulated Person shall display the licensing, authorisation certificate or an official copy thereof issued by the MFSA, in a prominent position in that place and in a part thereof to which the public has access.
- R.5.1.16 Where the Regulated Person offers Retail Products and Services through the use of an ATM and/or Deposit Machine, it shall ensure that these are as much as possible available for public usage 24/7 and allow for adequate and ongoing maintenance on such machines.
- R.5.1.17 Pursuant to R.5.1.16, when a downtime service is planned on a mobile banking application or internet banking or ATMs or when services at particular branches will be limited or unavailable, Clients need to be informed beforehand or if unplanned, on the same day of occurrence, through social media and any other communication medium considered to be the most suitable for the general type of Client base of the Regulated Person.
- R.5.1.18 A Regulated Person shall not:
- make inaccurate or unfair criticism of any other Regulated Person or any Retail Product offered by such other Regulated Persons;
 - make comparisons with other types of Retail Products or Services unless the differing characteristics of each Retail Product or Service are made clear.
- R.5.1.19 Regulated Person shall not:
- persuade or attempt to persuade a Client to surrender or cancel any Retail Product or Service which such Client may have already purchased, if such surrender or cancellation is not in the best interest of the Client;
 - in general, entice Clients to purchase Retail Products or Services it offers by giving or promising to give gifts to such Clients. Any gifts which the Regulated Person may offer to its Clients must be related

to the Product or Service being offered and/or enhance the value thereof. Such gifts should not be of a substantial value.

- G.5.1.1** *Any gifts offered by Regulated Persons to their Clients should:*
- a. not be of a high value (e.g. cruises, holidays, jewellery, electronic gadgets);*
 - b. not be given at the stage where the client merely makes an appointment with the Regulated Person with a view to discuss a Product or Service offered by the latter;*
 - c. be related to the nature of the service being provided or enhance the nature of the Product or Service (for example roadside membership assistance with motor insurance would be acceptable).*
- R.5.1.20** Regulated Person shall explain to the Client words and expressions of a technical nature which are used in a document in either the Maltese or the English language depending on which language the Client understands better.
- R.5.1.21** Regulated Persons must ensure that their staff members providing services to Clients are able to provide adequate explanations of the terms and conditions related to the Retail Product being offered, including explanation of the consequences of breaches by the Client.
- R.5.1.22** Regulated Persons should also have arrangements in place for Clients to submit their queries. Such arrangements should allow for adequate response times taking into consideration the urgency of matters. This, without prejudice to the provisions relating to Complaints Handling under Section 12 titled 'Complaints Handling Mechanisms'.

Record Keeping Requirements

- R.5.1.23** Whatever the medium used to carry out transactions with Clients, counterparties and other third parties, Regulated Persons shall:
- a. have real time access to and control over all transactional data;
 - b. preserve its records on an ongoing basis at its head office for at least the period stipulated by law;
 - c. have in place an appropriate offsite backup system for risk management and business continuity purposes; and
 - d. provide such access to the MFSA as and when it requires, including during onsite inspections.
- R.5.1.24** In respect of Credit Agreements relating to Residential Immovable Property, a Regulated Person shall keep appropriate records concerning the types of immovable property accepted by the Regulated Person as security, as well as the related underwriting policies used in relation to Credit Agreements.

Reporting to the MFSA

- R.5.1.25 Regulated Persons are required to submit to the MFSA, on an annual basis, by 31 May of each year, the Conduct-Related Data Return pursuant to [MFSA Circular of 27 April 2023](#). The data reported is to be as at the end of the reporting year, according to the financial year.

Section 2: Visits, Calls and Other Communications

General Requirements

- R.5.2.26 Regulated Persons shall as much as possible avoid making unsolicited or unarranged calls to Clients unless otherwise requested by a Client. When such calls are made the Regulated Person shall always identify itself, making known its regulated status, its name and any other relevant particulars.
- R.5.2.27 The Regulated Person shall ensure that Staff who deal with Clients only engage in unsolicited calls ("cold calls") on condition that they:
- a. are civil and considerate;
 - b. do not use undue pressure, deception or artificiality;
 - c. make plain their purpose;
 - d. avoid contacts during unsocial hours, and pay due regard to the reasonable request of Clients (for example, Clients who work in a shift pattern) in respect of when, where and how they may be contacted;
 - e. observe the Conduct of Business Rules in this section and ensure that no deals are finalised on the sole basis of a telephone conversation unless previously agreed otherwise in writing with the Client; and
 - f. do not promote any complex Retail Products (e.g. structured deposits) by means of cold calling.
- R.5.2.28 Pursuant to R.5.2.27, the Regulated Person must ensure that a member of its Staff contacting a Client on its behalf explains to the Client the following matters:
- a. who the individual contacting the Client works for;
 - b. the individual's role in or relationship with the Regulated Person; and
 - c. the purpose of the contact.

- R.5.2.29 A Regulated Person must not, in a communication with the Client, make a statement which may induce the Client to contact the Regulated Person without understanding the proper reason for making contact.

For example, a misleading communication is a contact card left at the Client's address which states or implies that the Client has missed a visit by the Regulated Person's representative and encourages the Client to make contact.

- R.5.2.30 The Regulated Person must not require a Client to make contact on a premium rate or other special rate telephone number, the charge for which is higher than to a standard geographic telephone number.

- R.5.2.31 The Regulated Person shall ensure that Staff engaged in the sale of Retail Products do not harass or cajole Clients or force them to purchase a Retail Product or Service. The Regulated Person's Staff shall not continue with the sales dialogue if requested by the Client to desist and/or indicates no interest in the product.

- R.5.2.32 The Regulated Person shall not provide Retail Products and Services in the home of the Client without having obtained the client's explicit consent therefor. The Regulated Person must obtain informed consent separately for each personal visit and shall keep record of such consent accordingly.

For this purpose the Regulated Person may obtain a general consent for such visits and shall keep record for every visit so undertaken in relation to:

- a. the purpose(s) for which a personal visit is to be made, including in the case of sales and marketing, the types of Retail Product to be discussed during the personal visit; and
- b. the time and date for the personal visit.

- R.5.2.33 Where the Regulated Person provides more than one Retail Product or Service, it shall not make use of Client information held by it or any other entity within its group, with respect to the provision of a particular Regulated Activity, for the purposes of marketing another Regulated Activity to such Clients unless it obtains the explicit consent of the Client in question.

The Regulated Person shall accompany the request for such consent with a warning that the nature and risks of the Retail Products and Services which are going to be offered to the Client differ from those of the Retail Products and Services which have been offered to the Client to date. The Regulated Person should also warn Clients that they should seek to ensure that they clearly understand all the relevant risks before purchasing any new Retail Products and/or Services.

- R.5.2.34 A Regulated Person may make telephone contact with a Client who is an existing Client, only if:
- a. the Regulated Person has provided that Client with a Retail Product or Service similar to the purpose of the telephone contact; or
 - b. the Client holds a Retail Product, which requires the Regulated Person to maintain contact with the Client in relation to that Retail Product; and
 - c. the Client has given his or her consent to being contacted in this way by the Regulated Person. For the purposes of this requirement, the Regulated Person may proceed by requesting the Client to give his or her verbal consent at the beginning of the telephone conversation. The Regulated Person must retain a record of the Client's verbal consent.
- R.5.2.35 A Regulated Person shall ensure that, where it makes a telephone contact on the basis of a referral, it retains a record of the referral.
- R.5.2.36 When making a personal visit or telephone contact in accordance with this Rulebook, the representative of a Regulated Person shall immediately and in the following order:
- a. identify himself or herself by name, and the name of the Regulated Person on whose behalf he or she is being contacted and the commercial purpose of the contact;
 - b. inform the Client that the meeting is being recorded, if this is the case;
 - c. where relevant, disclose to the Client, the source of the business lead or referral supporting the telephone contact;
 - d. explain the purpose(s) for which a personal visit is to be/being made, including the types of Retail Products and Services to be discussed during the personal visit (where applicable); and
 - e. establish if the Client's wishes the personal visit or telephone contact to proceed and, if not, end the contact immediately.
- R.5.2.37 Under normal circumstances, telephone contact may be made only between 9.00 a.m. and 6.00 p.m. Monday to Friday and 9.00 a.m. till 1.00 p.m. on Saturdays (excluding bank holidays and public holidays), unless otherwise agreed with the Client. This should not apply if contact needs to be made in response to previous contact of the Client with customer care staff outside office hours or the hours stipulated in this rule.
- R.5.2.38 A Regulated Person shall abide by a request from a Client not to make a personal visit or telephone contact to him or her again and this request shall be recorded by the Regulated Person.

- R.5.2.39 In addition to any record keeping requirements resulting from this Rulebook, the Regulated Persons shall record on a Durable Medium all information related to relevant face-to-face conversations with Clients in the context of purchase of Retail Products by Clients and ongoing maintenance of Retail Products held by Clients. Such record should be kept in a way which is easily accessible for any future reference.

The information recorded is at the discretion of the Regulated Person but shall include, at least, the following:

- a. date of meeting;
- b. location of meeting;
- c. identity of the attendees;
- d. initiator of the meeting;
- e. the reason as to why the meeting was held; and
- f. other relevant information.

- G.5.2.2 *For the purposes of R.5.2.39, an email communication which satisfies the above requirements with respect to content, would be considered sufficient.*

General requirements relating to Debt Collection Visits and/or Communications

- R.5.2.40 A Regulated Person must not unfairly disclose or threaten to disclose information relating to the Client's debt to a third party.

- R.5.2.41 When contacting a Client:
- a. a Regulated Person must ensure that it does not act in a way likely to be publicly embarrassing to the Client; and
 - b. a Regulated Person must take reasonable steps to ensure that third parties do not become aware that the Client is being pursued in respect of a debt.

- G.5.2.3 *Reasonable steps required by R.5.2.41 may for example, require a Regulated Person to ensure that post sent by the Regulated Person is properly addressed to the Client and marked "private and confidential" or an expression to the same effect.*

- R.5.2.42 A Regulated Person must ensure that all individuals visiting a Client's property on its behalf shall at all times act in accordance with the requirements of the provisions of this Chapter wherever applicable and do not:
- a. act in a threatening manner towards the Client;
 - b. visit a Client at a time when the individual knows or suspects that the Client is, or may be, particularly vulnerable;

- c. visit at an inappropriate location (e.g. the Client's place of work or a hospital where the Client is a patient), unless the Client has expressly consented to the visit;
- d. enter a Client's property without the Client's consent or an appropriate court order;
- e. refuse to leave a Client's property when it becomes apparent that the Client is unduly distressed or might not have the mental capacity to make an informed repayment decision or to engage in the debt recovery process;
- f. refuse to leave a Client's property when reasonably asked to do so.

R.5.2.43 When contacting Clients, a Regulated Person must not misrepresent its authority or its legal position with regards to the debt or debt recovery process.

R.5.2.44 A Regulated Person must not suggest or state that action can or will be taken when legally it cannot be taken.

For example in instances whereby the Regulated Person or an individual acting on behalf of the Regulated Person:

- a. states or implies that bankruptcy or sequestration proceedings may be initiated when the balance of the outstanding debt is too low to qualify for such proceedings;
- b. claims a right of entry will be exercised when no court order to this effect has been granted; or
- c. states that goods will be repossessed when no specific authorisation to repossess the goods has been granted by a court.

R.5.2.45 A Regulated Person must not suggest or state that an action has been taken when no such action has been taken.

Section 3: Knowledge and Competence of Staff

R.5.3.46 Regulated Persons should have sufficient resources and Staff allocated to credit risk taking and, in particular, credit decision-making, credit risk management and internal control. The organisational structure should be reviewed periodically to ensure that there are adequate resources, competencies and expertise within the credit risk management functions to effectively manage credit risk.

R.5.3.47 Regulated Persons should ensure that the Staff members involved in credit granting, in particular decision-making, risk management and internal control, have an appropriate level of experience, skills and credit-related competence.

In addition, in the case of Staff members being involved in the granting of Credit Agreements relating to Residential Immovable Property, the said Staff members should be subject to the experience requirements as mentioned in the [MFSA's Credit Intermediaries Rule](#).

- R.5.3.48 Regulated Persons shall ensure that staff providing relevant Retail Products possess the necessary knowledge and competence to meet relevant regulatory and legal requirements and business ethics standards.
- R.5.3.49 Regulated Persons shall ensure that staff know, understand and apply the Regulated Person's internal policies and procedures designed to ensure compliance with its obligations. In order to ensure a proportionate application of knowledge and competence requirements, Regulated Persons shall ensure that staff have the necessary levels of knowledge and competence to fulfil their obligations, reflecting the scope and degree of the relevant Retail Products provided.
- G.5.3.4 *The Regulated Person's staff who is directly involved in offering Retail Products to Clients, should have the skills necessary to be able to assess the needs and circumstances of the Client. They are also recommended to have sufficient expertise to understand the Retail Products to be recommended and to determine whether the features of the Retail Product match the needs and circumstances of the Client.*
- R.5.3.50 The Regulated Person shall ensure that staff giving information about Retail Products or ancillary services that are available through the Regulated Person have the necessary knowledge and competence to understand and explain to Clients the Retail Product's key characteristics, risk and features, including in particular, the knowledge and understanding of the consequences of any breaches to the terms and conditions. Particular care should be taken when giving information with respect to Retail Products characterised by higher levels of complexity, particularly Retail Products related to Credit Agreements. They should also be in a position to understand and explain to Clients the total amount of costs and charges to be incurred by the Client throughout the lifetime of the Retail Product and be able to communicate this effectively to the Client.
- R.5.3.51 Staff involved in credit granting, including credit decision-making, credit risk management and internal control, should frequently receive appropriate training, which includes considering changes to the applicable legal and regulatory frameworks. Training should be aligned with the Regulated Persons' credit culture and business strategy and should be conducted on a regular basis to ensure that all relevant Staff are appropriately skilled and familiar with the Regulated Persons' credit policies, procedures and processes.

- R.5.3.52 In relation to Credit Agreements relating to Residential Immovable Property, the minimum knowledge and competence requirements of creditors' and credit intermediaries' staff involved in credit granting, shall be subject to the MCD Regulations⁷ and the related [MFSA's Credit Intermediaries Rule](#).
- R.5.3.52A With respect to Consumer Credit Agreements Regulated Persons and Credit Intermediaries shall ensure that their staff possesses and keep up-to-date an appropriate level of knowledge and competence in relation to the manufacturing, the offering and the granting or credit agreements, the carrying out of credit intermediation activities and the provision of advisory services, as well as in relation to consumer rights in the area of their trade. Where the conclusion of a credit agreement includes ancillary services, appropriate knowledge and competence in relation to those ancillary services shall be required.
- R.5.3.52B In relation to Consumer Credit Agreements, the minimum knowledge and competence requirements of Regulated Persons and credit intermediaries' staff as referred to in R.5.3.52A above, shall be those indicated in Schedule of the Banking Act (Consumer Credit) (Amendment) Regulations and the MFSA's Credit Intermediaries Rules applicable to credit intermediaries offering consumer credit agreements.

⁷ This Rule is referring to the wording found in Regulation 6 of the current [Credit Agreements for Consumers relating to Residential Immovable Property Regulations](#) (S.L.378.10).

As stated in the Consultation Document, the MFSA supervision and powers will be expressly formalised through the issue (in due course) of relevant Maltese Subsidiary Legislation, as deemed necessary for the MFSA to assume the relevant supervisory remit. Therefore, for the purposes of Credit Institutions, this reference will be substituted with a reference to Maltese subsidiary legislation to be issued under the [Banking Act](#) (Chapter 371 of the Laws of Malta).

Section 4: Creditworthiness Assessments

Part A: General Rules applicable to all Credit Agreements

Creditworthiness Provisions for lending to Clients

- R.5.4.53 Regulated Persons should, in line with the relevant consumer protection legislation, assess the Client's ability and prospect to meet the obligations under the Credit Agreement, covering, in particular, an assessment of the Client's source of repayment capacity, taking into account specificities of the Credit Agreement, such as nature, maturity and interest rate.
- G.5.4.5 *The purpose of each creditworthiness assessment is twofold, with Regulated Persons bound to consider:*
- a. The risk that the Client will not make repayments under the Credit Agreement by their due dates (credit risk); and*
 - b. The risk to the Client of not being able to make repayments in accordance with the Credit Agreement (affordability risk).*
- R.5.4.54 Collateral, in the case of secured lending, by itself should not be a predominant criterion for approving a loan and cannot by itself justify the approval of any Credit Agreement. Collateral should be considered the Regulated Person's fallback mechanism in case of default or material deterioration of the risk profile, and not the primary source of repayment, with the exception of when the Credit Agreement envisages that the repayment of the Credit Agreement is based on the sale of the property pledged as collateral or liquid collateral provided.
- R.5.4.55 When assessing the Client's ability to meet obligations under the Credit Agreement, Regulated Persons should take into account relevant factors that could influence the present and future repayment capacity of the Client, whilst also avoiding the inducement of undue hardship and over-indebtedness. The factors should include other servicing obligations; their remaining duration; their interest rates and the outstanding amounts; repayment behaviour, e.g. evidence of any missed payments and their circumstances; directly relevant taxes and insurance if known; as well as an analysis of the Client's debts compared to their income.

R.5.4.56 Where the Regulated Person can reasonably foresee that there is likely to be a reduction in the Client's future income during the term of the Credit Agreement which could have a material impact on affordability risk, the Regulated Person must take reasonable steps to estimate the amount of that reduction.

Conversely, the Regulated Person can only take into account an expected future increase in the Client's income where it reasonably believes, on the basis of proportionate evidence, that the increase is likely to happen during the term of the Credit Agreement.

R.5.4.57 If the Client intends to make repayments (wholly or partially) using savings or other assets, the Regulated Person must take into account:

- a. the purpose for which the savings or assets are or will be held;
- b. the likelihood of the savings or assets being available to make repayments under the Credit Agreement; and
- c. any significant adverse impact on the Client's financial situation by using those savings or assets.

R.5.4.58 The Regulated Person should also consider the Client's ability to meet obligations under the Credit Agreement and make reasonable allowances for committed and other non-discretionary expenditures, such as the Client's actual obligations, including appropriate substantiation and consideration of the living expenses of the Client.

The Regulated Person shall set up acceptable Net Disposable Income thresholds for each type of Client as it considers appropriate. The acceptable Net Disposable Income for each type of Client shall be set in accordance with the specific circumstances of the Client.

R.5.4.59 Where it is reasonably foreseeable that there is likely to be an increase in the Client's non-discretionary expenditure, during the term of the Credit Agreement which could have a material impact on affordability risk, the Regulated Person must take reasonable steps to estimate the amount of that increase.

Conversely, the Regulated Person may only take into account an expected future decrease in non-discretionary expenditure where the Regulated Person reasonably believes, on the basis of appropriate evidence, that such decrease is likely to happen during the term of the Credit Agreement.

G.5.4.6 *Non-discretionary expenditure shall include payments needed to meet priority debts and other essential living expenses and other expenditures which are unreasonable to reduce whilst maintaining a basic quality of life. It also includes payments the Client has a contractual or statutory obligation to make.*

- R.5.4.60 If the Credit Agreement application is submitted jointly by more than one Client, Regulated Persons should perform the creditworthiness assessment on the basis of the joint repayment capacity of all Clients.
- R.5.4.61 For assessing the Client's ability to meet obligations under the Credit Agreement, Regulated Persons should adopt suitable methods and approaches, which may include models, as long as the Rules and Guidelines in this Rulebook are met. The selection of the suitable and adequate method should depend on the risk level, size and type of Credit Agreement.
- R.5.4.62 If a Credit Agreement involves any form of guarantees from third parties, Regulated Persons should assess the level of protection provided by the guarantee, and if relevant, conduct a creditworthiness assessment of the guarantor, applying the relevant provisions of the Rules and Guidelines in this Rulebook, depending on whether the guarantor is a natural person or an enterprise.

Credit Risk Policies and Procedures

General Requirements

- R.5.4.63 Regulated Persons should have in place credit risk policies and procedures which specify:
- a. policies and procedures and rules for the approval of credit granting and decision-making, including appropriate authorisation levels set in accordance with the credit risk appetite and limits;
 - b. credit-granting criteria, taking into account the items referred to in Annex I to this Chapter;
 - c. requirements for the handling of information and data needed for the creditworthiness assessment;
 - d. requirements for the creditworthiness assessment, including a sensitivity analysis;
 - e. conditions for the application of automated decision-making in the credit-granting process, including identifying products, segments and limits for which automated decision-making is allowed;
 - f. a risk-based approach, addressing possible deviations from standard credit policies and procedures and credit-granting criteria, including:
 - i. conditions defining the approval process for deviations and exceptions and the specific documentation requirements, including the audit trail;
 - ii. criteria for rejections and criteria for the escalation of deviations/exceptions to higher levels of the decision-making authority (including overrides, overrules, exposures possibly approved as an exception to general lending standards and

- other non-standard business under a special process with different approval authorities);
 - iii. requirements for the monitoring of circumstances and conditions for an exceptional credit-granting decision, including requirements for their review by the relevant functions during the regular review of the application and compliance with policies and limits;
 - g. requirements relating to what is to be documented and recorded as part of the credit-granting process, including for sampling and audit purposes – this should include, at a minimum, the requirements for the completion of credit applications, the qualitative and quantitative rationale/analysis, and all supportive documentation that served as a basis for approving or declining the Credit Agreement;
 - h. where applicable, the criteria as set out in R.5.4.70 and R.5.4.71.
- R.5.4.64 Within their credit risk policies and procedures and building on the credit risk strategy, Regulated Persons should also take into account principles of responsible lending. In particular:
 - a. they should consider the specific situation of a Client, such as the fair treatment of Clients that are in economic difficulties;
 - b. they should design credit products that are offered to Clients in a responsible way.
- R.5.4.65 For the credit products that are offered to Clients, Regulated Persons should ensure that the credit-granting criteria are not inducing undue hardship and over-indebtedness for the Clients and their households.
- R.5.4.66 In their credit risk policies and procedures dealing with credit decision-making as referred to in R.5.4.63(a) and creditworthiness assessments as referred to in paragraph R.5.4.63(d), Regulated Persons should also specify the use of any automated models in the creditworthiness assessment and credit decision-making processes in a way that is appropriate to the size, nature and complexity of the Credit Agreement and the types of Clients. In particular, Regulated Persons should set out appropriate governance arrangements for the design and use of such models and the management of the associated model risk, taking into account the criteria set out in R.5.4.68 and R.5.4.69.

Technology-enabled Innovation for Credit granting

- R.5.4.67 When using technology-enabled innovation for credit-granting purposes, Regulated Persons should do the following:
- a. Ensure that the Board of Directors has a sufficient understanding of the use of technology-enabled innovation, its limitation and the impact it has on credit-granting procedures.
 - b. Understand the underlying models used, including their capabilities, assumptions and limitations, along with ensuring their traceability, auditability and robustness and resilience.
 - c. Understand the quality of data and inputs to the model and detect and prevent bias in the credit decision-making process, ensuring that appropriate safeguards are in place to provide confidentiality, integrity and availability of information and systems.
 - d. Ensure the performance of the model, including the validity and quality of its outputs, is continuously monitored and appropriate remediation measures are taken in a timely manner in the case of detected issues (e.g. worsening or deviating from expected behaviour).

Models for Creditworthiness Assessment and Credit Decision-making

- R.5.4.68 When using automated models for creditworthiness assessment and credit decision-making, Regulated Persons should understand the models used, and their methodology, input data, assumptions, limitations and outputs, and should have in place:
- a. internal policies and procedures detecting and preventing bias and ensuring the quality of the input data;
 - b. measures to ensure the traceability, auditability, and robustness and resilience of the inputs and outputs;
 - c. internal policies and procedures ensuring that the quality of the model output is regularly assessed, using measures appropriate to the model's use, including back-testing the performance of the model;
 - d. control mechanisms, model overrides and escalation procedures within the regular credit decision-making framework, including qualitative approaches, qualitative risk assessment tools (including expert judgement and critical analysis) and quantitative limits.

- R.5.4.69 Regulated Persons should have adequate model documentation that covers:
- a. methodology, assumptions and data inputs, and an approach to detecting and preventing bias and ensuring the quality of input data;
 - b. the use of model outputs in the decision-making process and the monitoring of these automated decisions on the overall quality of the portfolio or products in which these models are used.

Data Infrastructure

- R.5.4.70 Regulated Persons should have appropriate data infrastructure as well as relevant policies and procedures to support the credit-granting process and for the purposes of credit risk management and monitoring throughout the life cycle of the Credit Agreements (e.g. loan origination and creditworthiness assessment, risk assessment, credit review and monitoring). The data infrastructure should ensure the continuity, integrity and security of information on the exposure, borrower and collateral, from the point of origination and throughout the life cycle of the Credit Agreement.
- R.5.4.71 The data infrastructure should be detailed and sufficiently granular to capture specific loan-by-loan information, in particular actual credit-granting criteria applied at the point of origination, allowing data regarding the Client to be linked with data regarding collateral, to support the effective monitoring of credit risk and enable effective audit trailing, operational and credit performance and efficiency measurement, as well as the tracking of policy deviations, exceptions and overrides (including credit/transaction rating or scoring overrides).

Credit Risk Management and Internal Control Frameworks

- R.5.4.72 For the purposes of R.4.1.7, Regulated Persons should consider the following areas/tasks:
- a. developing and maintaining credit-granting and monitoring processes and procedures;
 - b. performing an assessment of creditworthiness and a credit risk analysis for scoring or rating purposes; and
 - c. providing an independent/second opinion on the creditworthiness assessment and credit risk analysis for the purposes of credit decision-making, specifying in which circumstances, considering the specificities of the Credit Agreement, its size and the risk profile of the Client, this independent/second opinion is relevant.

Information and Documentation for the purpose of the Creditworthiness Assessment

- R.5.4.73 Regulated Persons should have sufficient, accurate and up-to-date information and data necessary to assess the borrower's creditworthiness and risk profile before concluding a loan agreement.
- R.5.4.74 For the purposes of the creditworthiness assessment of individual Clients, Regulated Persons should have available and use information supported by necessary and appropriate evidence, in relation to at least the following:
- a. purpose of the loan, when relevant to the type of Credit Agreement;
 - b. employment;
 - c. source of repayment capacity;
 - d. composition of a household and dependents;
 - e. financial commitments and expenses for their servicing;
 - f. regular expenses;
 - g. collateral (for secured lending); and
 - h. other risk mitigants, such as guarantees, when available.
- R.5.4.75 In addition to R.5.4.74, Regulated Persons may consider the use of specific information, data items and evidence, such as:
- a. evidence of identification;
 - b. evidence of residence;
 - c. where applicable, information on the purpose of the Credit Agreement;
 - d. where applicable, evidence of eligibility for the purposes of the Credit Agreement;
 - e. evidence of employment, including the type, sector, status (e.g. full-time, part-time, contractor, self-employed) and duration;
 - f. evidence of income or other sources of repayment (including annual bonus, commission, overtime, where applicable) covering a reasonable period, including payslips and current bank account statements;
 - g. Information on financial assets and liabilities, e.g. savings account statements and loan statements indicating outstanding loan balances;
 - h. Information on other financial commitments, such as child maintenance, education fees and alimonies, if relevant;
 - i. Information on household composition and dependants;
 - j. Evidence of tax status,
 - k. Where applicable, evidence of life insurance for the named Clients;
 - l. Where applicable, data from credit registers or credit information bureaux or other relevant databases, covering the information on financial liabilities and arrears in payment;
 - m. Information on the collateral, if any;
 - n. Evidence of ownership of the collateral;
 - o. Evidence of the value of the collateral;

- p. Evidence of insurance of the collateral;
- q. Information on guarantees, other credit risk mitigating factors and guarantors, if any; and
- r. Rental agreement or evidence of potential rental income for buy-to-let loans, if any.

R.5.4.76 In order to determine whether it has sufficient information and data at its disposal, and in deciding what steps are needed to make the creditworthiness assessment a reasonable one, the Regulated Person should have regard to each of the following elements:

- a. The type of credit;
- b. The amount of credit or credit limit;
- c. The duration (or likely duration) of the credit;
- d. The frequency of repayments;
- e. The amounts of the repayments;
- f. The total amount payable;
- g. The total charge for credit;
- h. The APRC;
- i. Whether the interest rate or any other charge is fixed or variable;
- j. Any other costs which will or may be payable by, or on behalf of the Client, in connection with the Credit Agreement; and
- k. Any other potential adverse consequences for the Client arising under the Credit Agreement from a failure to make a repayment by the due date.

R.5.4.77 Regulated Persons may use the already available information and data for existing Clients, in accordance with the requirements of [Regulation \(EU\) No 2016/679](#), and when such information and data are relevant and up to date.

R.5.4.78 Prior to the conclusion of a Credit Agreement, Regulated Persons shall assess the creditworthiness and risk profile of the Client on the basis of sufficient information, where appropriate, obtained from the Client and, where necessary on the basis of a consultation of a database maintained for the purposes of assessing creditworthiness.

If the Regulated Person and the Client agree to change the total amount of credit after the conclusion of the Credit Agreement, the Regulated Person shall:

- a. update the financial information at its disposal concerning the Client; and
- b. re-assess the Client's creditworthiness,
- c. before the total amount of credit is significantly increased.

R.5.4.79 If Regulated Persons have concerns regarding the accuracy and reliability of the information and data, they should make necessary checks and reasonable enquiries with the Client and third parties (e.g. employer, public authorities, relevant databases), and take reasonable

steps to verify the information and data collected. Before making such enquiries with third parties regarding the Client's personal data, Regulated Persons should ensure that the requirements, in particular with regard to informing and seeking permission from the Client, of [Regulation \(EU\) 2016/ 679](#) are met.

- R.5.4.80 Regulated Persons should have an accurate and singular view that enables an assessment of the Client's ability to service and repay financial commitments. This singular view should be supplemented by the information provided by the Client on the assets and liabilities held at other Regulated Persons or other institutions.
- R.5.4.81 If the Client is likely to face financial difficulties in meeting the contractual obligations of the Credit Agreement, Regulated Persons should request from the Client reliable documentation demonstrating realistic projections of their ability to maintain solvency. In this case, both information from third parties, such as tax advisors, auditors and other experts, and information from Clients may be used.
- R.5.4.82 If a Credit Agreement involves guarantees from third parties, Regulated Persons should have a sufficient level of information and data necessary to assess the guarantee and, when relevant, the financial position of the guarantor.
- R.5.4.83 If the Client is a member of a group of connected clients, Regulated Persons should collect the necessary information on relevant related connected clients, in accordance with the EBA Guidelines on connected clients, especially when repayment is reliant on cash flow emanating from other connected parties in the same group.
- G.5.4.7 *By way of clarification, where the applicant relies on dividends or salaries from connected companies, analysis of those companies shall be made to make sure that these income sources are sustainable.*
- R.5.4.84 Regulated Persons should document the information and data that led to credit approval, including the actions and assessments carried out by them, and maintain this documentation in an accessible form (readily available for the MFSA and other competent authorities) for at least the duration of the Credit Agreement.
- G.5.4.8 *It is considered good practice for Regulated Persons and, where relevant, Credit Intermediaries, that when verifying the Client's income, expenses, and other financial and economic circumstances, these shall use necessary, sufficient and proportionate information that can be evidenced and that is provided by sources that are independent of the Client.*

G.5.4.9 *Pursuant to G.5.4.8, as well as requiring such type of information, there is a need for adequate records to be kept in order to substantiate the robustness of the checks made. This will allow Regulated Persons to review and ensure their own adherence to responsible lending principles and that this could be subsequently demonstrated to the Competent Authority. It is therefore considered good practice for Regulated Persons to specify their approach to income verification and the records to be kept.*

G.5.4.10 *Regulated Persons are also likely to need to make realistic assumptions about future circumstances. A responsible lending decision might be informed by an awareness of the potential for interest rate changes and foreseeable events (e.g. the likelihood of the Client's income changing where the Credit Agreement extends into retirement).*

It is therefore considered good practice to:

- a. specify aspects of the detailed creditworthiness assessment (such as the information to be gathered about the Client's personal circumstances and financial situation) or assumptions to be used in the creditworthiness; and*
- b. specify lending thresholds that might act as a backstop to any individual assessment of affordability.*

G.5.4.11 *Due to the fact that it is somewhat more complex to verify a Client's expenditure, Regulated Persons are expected to consider a range of available information, both actual or modelled, to enhance the creditworthiness assessment. This will therefore require the Regulated Person in considering the Client's net disposable income, after meeting all their expenditure and commitments, and hence including risk limits in their internal loan policies, such as specifying minimum levels of net disposable income.*

Additional Assessment Factors for Credit Agreements

R.5.4.85 When necessary, particularly in cases of Clients who are self-employed or who have seasonal or other irregular income, Regulated Persons should make reasonable enquiries and take reasonable steps to verify the information regarding the source of repayment capacity.

R.5.4.86 If the term of the Credit Agreement extends past the Client's expected retirement age, Regulated Persons should take appropriate account of the adequacy of the Client's likely source of repayment capacity and their ability to continue to meet obligations under the Credit Agreement when in retirement.

R.5.4.87 When assessing the Client's ability to meet obligations under the Credit Agreement, Regulated Persons should account for committed and

other non-discretionary expenditures, such as the Client's current obligations, including appropriate substantiation and consideration of living expenses.

- R.5.4.88 As part of the creditworthiness assessment, Regulated Persons should carry out sensitivity analyses reflecting:
- a. potential negative events in the future, including a reduction in income;
 - b. an increase in interest rates in cases of variable rate Credit Agreements;
 - c. negative amortisation of the loan; and
 - d. balloon payments or deferred payments of the principal or interest.
- R.5.4.89 In the case of foreign currency loans, Regulated Persons should also factor into the assessment of the Client's capacity to meet the obligations, potential negative scenarios of the exchange rate between the currency of the Client's income and the currency of the Credit Agreement. Regulated Persons should also take into account and assess any hedging strategies and actual hedges in place, including natural hedges, to mitigate foreign currency exchange risk.
- R.5.4.90 Where necessary, in particular in cases of Clients who are self-employed or have seasonal or other irregular income, Regulated Persons should make reasonable enquiries and take reasonable steps to assess and verify the source of repayment capacity.
- R.5.4.91 Regulated Persons should ensure that the Client's ability to meet obligations under the Credit Agreement is not based on an expected significant increase in the Client's income, unless the documentation provides sufficient evidence to this effect.
- R.5.4.92 As part of the creditworthiness assessment, Regulated Persons should carry out sensitivity analyses to reflect potential negative events specific to the type of Credit Agreement that may occur in the future. When relevant, Regulated Persons should also consider the implication of foreign currency exchange rate risk.

Credit Approval

- R.5.4.93 In order to carry out a reliable and accurate creditworthiness assessment, Regulated Persons should draft and retain relevant documentation regarding Credit Agreements and the credit approval process in a way that helps identify and prevent a misrepresentation of the information by the Client, Credit Intermediary or Staff members of the Regulated Person that are involved with the assessment of the application.

- R.5.4.94 Each creditworthiness assessment undertaken by the Regulated Person should be properly documented and used as the basis of the proposal to approve or decline the Credit Agreement application by the relevant credit decision-maker. The documented outcome of the creditworthiness assessment itself should be able to justify the proposal to approve or decline the Credit Agreement application.
- R.5.4.95 The decision to approve or decline the Credit Agreement application (subsequently referred to as the credit decision) should be taken by the relevant credit decision-maker, in accordance with the Regulated Person's policies and procedures and governance arrangements.
- R.5.4.96 The credit decision should be clear and well documented and include all the conditions and pre-conditions, including those aimed at mitigating the risks identified in the creditworthiness assessment, for the Credit Agreement in question and its disbursement.
- R.5.4.97 The credit decision should clearly articulate a maximum period for its validity. If an approved transaction is not executed within this period, a new credit proposal should be submitted for approval.
- R.5.4.98 The conclusion of the Credit Agreement should not take place unless the Regulated Person has verified that all pre-conditions and conditions that have been set out in the credit decision are fulfilled. The disbursement should take place only after the Credit Agreement has been finalised and entered into.
- R.5.4.99 Without prejudice to the Rule and Guidelines included in Chapter 4 of this Rulebook, Regulated Persons should ensure that decisions are taken impartially and objectively and are not adversely affected by any conflict of interest. More specifically, Regulated Persons should ensure that any individual involved in credit decision-making, such as members of Staff and members of the Board of Directors, do not take part in credit decisions in any of the following instances:
- a. if any individual involved in credit decision-making has a personal or professional relationship with the Client;
 - b. if any individual involved in credit decision-making has an economic or any other interest, including direct or indirect, actual or potential, financial or non-financial, associated with the Client;
 - c. if any individual involved in credit decision-making has undue political influence on or a political relationship with the Client.
- R.5.4.100 Without prejudice to the Rule and Guidelines included in Chapter 4 of this Rulebook, Regulated Persons should have policies, procedures and organisational controls in place that guarantee and ensure objectivity and impartiality in the credit decision-making process. These policies, procedures and organisational controls, including any

mitigating measures, should be clearly defined and understood, and should address any potential conflicts of interest. Regulated Persons should ensure effective oversight of the decisions taken by credit decision-makers, including credit granting, to ensure their objectivity and impartiality.

Part B: Credit Agreements relating to Residential Immovable Property

Applicability

- R.5.4.101 In addition to the applicability of Part A of Section 4 to this Chapter, the Rules and Guidance under this Part shall solely apply to Credit Agreements relating to Residential Immovable Property as set out in the Glossary of Definitions to this Rulebook.

General Requirements

- R.5.4.102 A Regulated Person shall, before concluding a Credit Agreement relating to Residential Immovable Property, make a thorough assessment of the Client's creditworthiness, taking appropriate account of factors relevant to verifying the prospect of the Client to meet his obligations under the said Credit Agreement.
- R.5.4.103 Regulated Persons shall establish, document and maintain the procedures and Information on which the assessment referred to in R.5.4.102 is based.
- R.5.4.104 The assessment of creditworthiness shall not rely predominantly on the value of the immovable property exceeding the amount of the credit or on the assumption that the immovable property will increase in value unless the purpose of the Credit Agreement relating to Residential Immovable Property is to construct or renovate the immovable property.
- R.5.4.105 Where a Regulated Person concludes a Credit Agreement relating to Residential Immovable Property with a Client, the Regulated Person shall not subsequently cancel or alter the said Credit Agreement to the detriment of the Client on the grounds that the assessment of creditworthiness was incorrectly conducted:

Provided that this Rule shall not apply where it is demonstrated that the Client knowingly withheld relevant information from the Regulated

person or provided falsified Information within the meaning of R.5.4.120 to R.5.4.124.

A declaration is to be signed by the Client at application stage that all relevant information provided is correct, up-to date and that no relevant information was withheld from the Regulated Person.

- R.5.4.106 The Regulated Person shall only make the credit available to the Client where the result of the creditworthiness assessment indicates that the obligations resulting from the Credit Agreement relating to Residential Immovable Property are likely to be met in the manner required under that agreement.
- R.5.4.107 The Regulated Person shall, in accordance with the [Data Protection Act](#) and [Regulation \(EU\) 2016/ 679](#), inform the Client in advance that a database is to be consulted.
- R.5.4.108 Where an application for credit is rejected, the Regulated Person shall inform the Client without delay of the rejection in accordance with R.5.4.111 to R.5.4.118.
- R.5.4.109 The Regulated Person shall, before any significant increase in the total amount of credit is granted to the Client after the conclusion of the Credit Agreement relating to Residential Immovable Property, and unless such additional credit was envisaged and included in the original creditworthiness assessment, re-assess the Client's creditworthiness on the basis of the updated Information.
- R.5.4.110 Rules R.5.4.102 to R.5.4.109 shall be without prejudice to the [Data Protection Act](#) and [Regulation \(EU\) 2016/ 679](#).
- R.5.4.111 Where the assessment of the Client's creditworthiness results in a negative prospect for his ability to repay the credit over the lifetime of the Credit Agreement relating to Residential Immovable Property, the Regulated Person shall refuse to provide such credit.
- R.5.4.112 Where the application for credit is rejected, the Regulated Person shall inform the Client without delay and free of charge of the rejection, of the reasons for rejection and, where applicable, that the decision is based on automated processing of data.
- R.5.4.113 The Regulated Person should keep a log detailing when communication with the Client about the rejection was made, which medium of communication was used and including a confirmation that the reason for rejection was provided.
- R.5.4.114 Where the rejection of an application for credit is based on the result of the database consultation, the Regulated Person shall inform the

Client without delay and free of charge of the result of such consultation and of the particulars of the database consulted, including the name of the database that was consulted as well as its controller and of the Client's right to access and, where necessary, his right to rectify his data in that database:

Provided that the Regulated Person shall not be required to give such Information if the Information to be provided is prohibited by any other law, or is contrary to the public policy or public security of Malta.

- R.5.4.115 Where the application is rejected on the basis of an automated decision or a decision based on methods such as automated credit scoring, the Regulated Person shall inform the Client without delay and free of charge.
- R.5.4.116 The Regulated Person shall explain the logic involved in the automated decision to the Client.
- R.5.4.117 The Client shall have the opportunity to request for the decision to be reviewed manually.
- R.5.4.118 Rules R.5.4.111 to R.5.4.117 shall be without prejudice to the [Data Protection Act](#) and [Regulation \(EU\) 2016/ 679](#).
- R.5.4.119 As part of the process in establishing its models for creditworthiness assessments and credit decision-making, the Regulated Person and, where applicable, the Credit Intermediary, is to actively inform and clearly emphasise to a Client, that for the Regulated Person to be able to conduct a proper assessment of the Client's creditworthiness and make a decision on whether or not to grant the credit under the Credit Agreement relating to Residential Immovable Property, it is important that the Client:
- a. provides complete and correct information on his or her financial situation and personal circumstances in the context of the application process for credit. This is particularly relevant in the context of the Client's response to the Regulated Person's request for information referred to in R.5.4.123; and
 - b. provides the requested documentation supporting the information provided in terms of paragraph (a), including verifiable evidence and, or where necessary, independently verifiable evidence, within the timeframe specified by the Regulated Person.

Information and Documentation for the purpose of the Creditworthiness Assessment in terms of Credit Agreements relating to Residential Immovable Property

R.5.4.120 The assessment of creditworthiness referred to in Rules R.5.4.102 to R.5.4.110 shall be carried out on the basis of information on the Client's income and expenses and other financial and economic circumstances which are necessary, sufficient and proportionate.

R.5.4.121 The information referred to in R.5.4.120 shall be obtained by the Regulated Person from relevant internal or external sources, including the Client, and including information provided to a Credit Intermediary during the application process of the credit.

Provided that, such information shall be appropriately verified, including, when necessary, through reference to independently verifiable documentation. The term '*independently verifiable documentation*' is intended to include, amongst others, sources and evidence that are independent of the Client and information which is verified by an independent third party.

For the avoidance of doubt, this means that the following examples are not deemed to constitute '*independently verifiable documentation*':

- a. the income accounts or statements are certified or verified by the Client himself or herself as an accountant by profession, or by the spouse of the Client who is an accountant by profession; or
- b. the Client is a legal person and the income statements or forecasts are certified or verified by a director or shareholder of the said legal person who is an accountant by profession.

Provided further, that such information shall be up to date at that moment in time, and on reasonable assumptions as to the Client's situation over the term of the proposed Credit Agreement relating to Residential Immovable Property.

R.5.4.122 Credit Intermediaries shall accurately submit the necessary information obtained from the Client to the relevant Regulated Person to enable the creditworthiness assessment to be carried out.

R.5.4.123 Regulated Persons shall specify in a clear and straightforward way at the pre-contractual phase the necessary information and independently verifiable evidence that the Client needs to provide and the timeframe within which the Client needs to provide such Information.

Provided that such request for Information shall be proportionate and limited to what is necessary to conduct a proper creditworthiness assessment;

Provided further that, where necessary to enable the assessment of creditworthiness, Regulated Persons may seek clarification of the Information received in response to that request.

- R.5.4.124 A Regulated Person shall not terminate the Credit Agreement relating to Residential Immovable Property on the grounds that the information provided by the Client before the conclusion of the said Credit Agreement was incomplete:

Provided that the Regulated Person may terminate the said Credit Agreement where it is demonstrated that the Client knowingly withheld or falsified the Information.

- R.5.4.125 The Regulated Person, or where relevant the Credit Intermediary shall warn the Client that, where the Regulated Person is unable to carry out an assessment of the creditworthiness because the Client chooses not to provide the information or verification necessary for an assessment of creditworthiness, the credit cannot be granted.

This warning may be provided in a standardised format.

- R.5.4.126 Rules R.5.4.120 to R.5.4.125 shall be without prejudice to the [Data Protection Act](#) and [Regulation \(EU\) 2016/ 679](#).

- R.5.4.127 Without prejudice to the provisions of the [Data Protection Act](#), personal data obtained from a Client or any other person in connection with the conclusion and management of any Credit Agreement relating to Residential Immovable Property may only be processed for the purpose of assessing the Client's creditworthiness or of any such other person and their ability to repay in accordance with the Rules and Guidelines under this Rulebook.

Credit Agreements secured by Immovable Property other than Residential Immovable Property

- R.5.4.128 For Credit Agreements relating to Residential immovable property which shall not be occupied as a place of residence by the Client or a family member, Rules R.4.5.129 to R.5.4.131 shall apply.
- R.5.4.129 If the property is still being constructed and is intended to provide, upon completion, an income to its owner in the form of rents or profits from its sale, Regulated Persons should assess the development phase and the phase after the completion of the development, when the project converts into an income-producing property. For the purposes of Credit Agreements relating to Residential Immovable Property, Regulated Persons should establish that:
- a. the Client has a plausible plan related to the project, including estimates of all costs associated with the development;
 - b. the Client has access to builders, architects, engineers and contractors, who will take part in the development; and
 - c. the Client has obtained or is able to obtain in the future all necessary permits and certificates for the development, as the project progresses.
- R.5.4.130 Regulated Persons should assess the relationship between any potential future rental income from the immovable property in question and the Client's ability to meet obligations.
- R.5.4.131 In addition to the details about sensitivity analysis as included under R.5.4.88 and R.5.4.89, Regulated Persons should, for the purpose of sensitivity analysis in the case of Credit Agreements relating to Residential Immovable Property also consider:
- a. reduction in income;
 - b. an increase in interest rates in cases of variable rate loan agreements;
 - c. negative amortisation of the loan;
 - d. balloon payments or deferred payments of the principal or interest;
 - e. deterioration in the marketability of the immovable property;
 - f. an increase in vacancy rates; and
 - g. a reduction in the rental prices for similar properties.

Part C: Creditworthiness Assessment requirements applicable to Consumer Credit Agreements

Obligations to assess the creditworthiness of the client

- R.5.4.131A.1 Regulated Persons shall, before concluding a consumer credit agreement, carry out a thorough assessment of the clients' creditworthiness. That assessment shall be carried out in the interest of the client, to prevent irresponsible lending practices and over-indebtedness, and shall take appropriate account of factors relevant to verifying the prospect of the client meeting his or her obligations under the credit agreement.
- R.5.4.131A.2 Credit intermediaries shall accurately submit the necessary information obtained from the client to the relevant Regulated Person in accordance with Regulation (EU) 2016/69 General Data Protection Regulation and the Data Protection Act, to enable the creditworthiness assessment to be carried out.
- R.5.4.131A.3 The assessment of creditworthiness shall be carried out on the basis of relevant and accurate information on the client's income and expenses and other financial and economic circumstances which is necessary and proportionate to the nature, duration, value and risks of the credit for the client. That information may include evidence of income or other sources of repayment, information on financial assets and liabilities, or information on other financial commitments. That information shall not include the following special categories of data, revealing:
- a. racial or ethnic origin;
 - b. political opinions;
 - c. religious or philosophical beliefs;
 - d. trade union membership;
 - e. the processing of genetic data;
 - f. biometric data for the purpose of uniquely identifying a natural person;
 - g. data concerning health;
 - h. data concerning a natural person's sex life or sexual orientation.

The information shall be obtained from relevant internal or external sources, including the client and, where necessary, on the basis of a consultation of database used in Malta for assessing the creditworthiness of the client. Social networks shall not be considered as an external source for the purpose of this Rulebook.

The information obtained in accordance with this Rule shall be appropriately verified, where necessary through reference to independently verifiable documentation.

- R.5.4.131A.4 Regulated Persons shall establish procedures for the assessment referred to in R.5.4.131A.1 and to document and maintain such procedures.

Regulated Persons shall also document and maintain the information referred to in R.5.4.131A.3

- R.5.4.131A.5 If the credit application is submitted jointly by more than one client, the Regulated Person shall perform the creditworthiness assessment on the basis of the joint repayment capacity of the consumers.

- R.5.4.131A.6 The Regulated Person shall only make the credit available to the client where the result of the creditworthiness assessment indicates that the obligations resulting from the credit agreement are likely to be met in the manner required under that agreement, taking into account relevant factors as referred to in R.5.4.131A.1

- R.5.4.131A.7 Where a creditor concludes a consumer credit agreement with a client, the Regulated Person shall ensure not to subsequently cancel or modify the consumer credit agreement to the detriment of the client on the grounds that the assessment of creditworthiness was incorrectly conducted. This paragraph shall not apply where it is demonstrated that the consumer knowingly withheld or falsified the information referred to in R.5.4.131A.3 provided to the Regulated Person.

- R.5.4.131A.8 Where the creditworthiness assessment involves the use of automated processing of personal data, Regulated Persons shall ensure that the client has the right to request and obtain from the Regulated Person human intervention, consisting of the right to:

- a. request and obtain from the Regulated Person a clear and comprehensible explanation of the assessment of creditworthiness, including on the logic and risks involved in the automated processing of personal data as well as its significance and effects on the decision;
- b. express the client's own point of view to the Regulated Person; and
- c. request a review of the assessment of the creditworthiness and the decision on the granting of the credit by the Regulated Person.

The Regulated Person shall ensure that the client is informed of the right as referred to in the first sub-paragraph of this Rule

- R.5.4.131A.9 Where the credit application is rejected, the Regulated Person is required to inform the client without delay of the rejection and, where relevant, refer the client to easily accessible debt advisory services. Where applicable, the Regulated Person shall be required to inform the client of the fact that the assessment of creditworthiness is based on automated processing of data and about the client's right to human assessment and the procedure for contesting the decision.
- R.5.4.131A.10 Where the client and the Regulated Person agree to change the total amount of credit, after the conclusion of the credit agreement, the Regulated Person is required to reassess the client's creditworthiness on the basis of updated information, before any significant increase in the total amount of credit is granted.
- R.5.4.131A.11 Regulated Persons are to assess the creditworthiness of clients on the basis of a consultation of the relevant database. However, the assessment of creditworthiness shall not be based exclusively on the client's credit history.

Databases

- R.5.4.131B.1 Regulated Persons and credit intermediaries shall not process special categories of data as referred to in Article 9(1) of Regulation (EU) 2016/679 and the Data Protection Act including the Regulations made thereunder, and personal data processed from social networks that may be contained in public and private databases used for assessing the credit worthiness of clients.
- R.5.4.131B.2 Where the credit application is rejected on the basis of a consultation of a public and private database used for assessing the credit worthiness of clients, Regulated Persons shall inform the client without undue delay and free of charge of the result of such consultation and of the details of the public and private database consulted as well as the categories of data taken into account.

Section 5: Requirements on Pre-contractual Information and Obligations on Property Valuation applicable to Credit Agreements relating to Residential Immovable Property

- R.5.5.132 Pursuant to R.1.2.91(p), when carrying out a property valuation of residential immovable property for the purpose of Credit Agreements relating to Residential Immovable Property, a Regulated Person shall use reliable standards, or take reasonable steps to ensure that reliable standards are applied, where such a property valuation is conducted by a third-party.
- R.5.5.133 A Regulated Person shall ensure that internal and external appraisers conducting property valuations referred to in R.5.5.132 are professionally competent and sufficiently independent from the credit underwriting process so that they can provide an impartial and objective valuation, which shall be documented in a Durable Medium and of which a record shall be kept by the Regulated Person.

Section 6: Requirements relating to Payment Accounts

General Requirements applicable to all types of Payment Accounts

- R.5.6.134 Regulated Persons shall not discriminate against Clients who are legally resident in Malta or in another Member State by reason of their nationality or place of residence or by reason of any other ground referred to in Article 21 of the Charter of Fundamental Rights of the European Union, the Equality for Men and Women Act (Cap 456) and in other provisions contained in any other Maltese Law as may be in force and amended from time to time, when those Clients apply for, or access, a Payment Account.
- R.5.6.135 Where an application for a Payment Account is made by a Client to a Regulated Person, the Regulated Person shall open or refuse to open the Payment Account without undue delay, and no later than ten business days from recorded receipt of the completed application.

- R.5.6.136 Without prejudice to the requirements laid down in the provisions of [Directive 2008/48/EC](#) as transposed in the [Consumer Credit Regulations](#) and in these Rules, a Regulated Person may, upon the Client's request, provide an overdraft facility in relation to a Payment Account, where applicable depending on the nature of the Payment Account in question.

Provided that, access to, or use of, the Payment Account shall not be restricted by, or made conditional on, the purchase of such an overdraft facility.

Requirements on Dealing with Dormant Accounts

- R.5.6.137 A Regulated Person shall classify a Payment Account as a Dormant Account if the Client does not perform any activity on the account for a period of twenty-four consecutive months, save for any interest debited or credited from the account and/or any service charges.
- R.5.6.138 A Regulated Person should inform the Client in writing and through a durable medium that a Payment Account is about to be classified as Dormant at least 30 calendar days in advance of classifying such account as Dormant unless action is taken by the Client. Such communication should include, as a minimum:
- clear and specific reference to which account the communication is relating to;
 - the actual date when the said account will be classified as a Dormant Account;
 - the implications, including any fees and charges, of having a Payment Account being classified as Dormant, clarifying how any fees and charges are to be debited to any of the Client's accounts with the Regulated Person;
 - any action that can be taken by the Client to prevent such account from being categorised as a Dormant Account;
 - what action needs to be taken by the Client once his account has been classified as a Dormant Account to reinstate it into an active Payment Account; and
 - if no such remedial action is taken by the Client, details in relation to the process that the Regulated Person will subsequently follow, (e.g. a description of the termination process of the Dormant Account which may follow and the fact that any administrative fee will continue to be charged as long as the said account remains Dormant) including an explanation of what will happen with the balance of funds if and when the account is closed (e.g. being transferred to another Payment Account with the same Regulated Person).

R.5.6.139 When, in accordance with the terms and conditions of the Retail Product, the Regulated Person is entitled to cover any administrative fees by debiting the balance due on the Client's Account and to exercise the right to initiate the process to terminate the Client's Account, the above Rules in this Section, including the respective notifications and timely communication, shall apply, providing that at no time the Client's Account is to end up in debit.

R.5.6.140 Pursuant to R.5.6.139, if the Client holds other Payment Accounts with the same Regulated Person that are not classified as Dormant and the terms and conditions related to a particular type of account permits the Regulated Person to do so, the Regulated Person can charge any remaining balance of the administrative fee due by the Client from any such non-Dormant Accounts, even if the latter are held in a different currency or carry a different credit interest rate.

Wherever possible, the Regulated Person should first opt for the Account which is closest to the Dormant Account in terms of characteristics and type to charge any remaining balance of the administrative fee on Dormant Account.

R.5.6.141 In instances where the administrative fee on a Dormant Account, or any balance thereof, is going to be debited from a different Payment Account held in a different currency, the Regulated Person shall disclose to the Client the rate of exchange used to convert such a fee or balance thereof. The rate of exchange shall be fair and in line with market rates.

Access to Payment Accounts and Payment Accounts with Basic Features

- R.5.6.143 The conditions applicable to holding a Payment Account with Basic Features shall be in no way discriminatory.
- R.5.6.144 Clients who are legally resident in Malta or in another European Member State shall be eligible to open and use a Payment Account with basic features. Such a right shall apply irrespective of the Client's place of residence.
- R.5.6.145 Clients legally resident in Malta or in another European Member State shall include:
- a. Clients with no fixed address;
 - b. Persons who may be granted any status as promulgated under the [International Protection Act](#) or any other national legislation, where such persons may include refugees, beneficiaries of subsidiary protection and, or beneficiaries of other forms of humanitarian or international protection, stateless persons, asylum seekers and failed or rejected asylum seekers;
 - c. Clients who have not been granted a residence permit but whose expulsion is impossible for legal or factual reasons; and
 - d. Clients whose status is not covered under indents (a) to (c) but whose expulsion is impossible for legal or factual reasons.
- R.5.6.146 Regulated Persons may require Clients who wish to open a Payment Account with basic features to show a genuine interest in doing so.
- R.5.6.147 Regulated Persons that offer Payment Accounts with basic features may refuse an application for such an account where a Client already holds a Payment Account with another Regulated Person and where that account meets the features of a Payment Account with basic features, save where the Client declares that he has received notice that the Payment Account will be closed.
- R.5.6.148 Regulated Persons shall not refuse to open a Payment Account with basic features on the basis of the Client's financial circumstances, including their employment status, level of income, credit history or personal bankruptcy.
- R.5.6.149 Before opening a Payment Account with basic features, a Regulated Person may therefore verify whether the Client holds or does not hold a Payment Account with basic features with another Regulated Person. Alternatively, the Regulated Person may otherwise choose to rely on and accept a declaration of honour signed by the Client for that purpose.

- R.5.6.150 Notwithstanding the provisions of the [Professional Secrecy Act](#), Article 34 of the [Banking Act](#) and any other relevant provisions contained in any other Maltese Law, Regulated Persons in Malta may, subject to the express written consent of the Client to this effect, exchange information with other Regulated Persons which is reasonably required for the purpose of verifying the information provided in terms of R.5.6.149.
- R.5.6.151 Regulated Person shall not introduce or implement any policies or procedures which may, directly or indirectly, impose any unnecessary, difficult, or burdensome restrictions or processes to dissuade Clients from exercising any such rights they are entitled to pursuant to these requirements applicable to a Payment Account with basic features.
- R.5.6.152 Regulated Persons with a branch network having five or more branches shall offer a Payment Account with basic features and may also offer online accounts with the same basic features. Access to such Payment Account with basic features shall be provided through the entire branch network of the Regulated Person concerned.
- Regulated Persons with a network of four branches or less may also offer a Payment Account with basic features, provided that, in such cases, the following rules shall apply to such Regulated Persons *mutatis mutandis*: R.1.4.173 to R.1.4.174, R.1.4.176 to R.1.4.178, R.5.6.143 to R.5.6.155 and R.5.6.156 to R.5.6.170.
- R.5.6.153 A Regulated Person shall refuse to open a Payment Account with basic features for a Client where to do so would result in a breach of any anti-money laundering and combating the funding of terrorism obligations arising from applicable law or from any other enforceable procedure, guidance or provision.
- R.5.6.154 Regulated Persons shall consider whether there are any grounds for the circumstances surrounding a refusal to open a Payment Account with basic features as set out in R.5.6.153 to be disclosed to the Financial Intelligence Analysis Unit as established in terms of the [Prevention of Money Laundering Act](#).
- R.5.6.155 A Regulated Person shall ensure that access to and operation of a Payment Account with basic features is not made conditional on the purchase of any additional services or of shares in the Regulated Person, unless the latter is conditional for all Clients of the Regulated Person.
- R.5.6.156 Regulated Persons shall ensure that, as a minimum, Payment Accounts with basic features shall be offered in Euro. Such Payment Accounts may, at the sole discretion of the Regulated Person, also be offered in the currency of any other Member State.

- R.5.6.157 Regulated Persons shall allow Clients to execute an unlimited number of operations in relation to the services linked to a Payment Account with basic features as set out in the Glossary of Definitions.
- R.5.6.158 A Regulated Person shall allow Clients to manage and initiate payment transactions from the Client's Payment Account with basic features:
- at its publicly accessible premises, if any; and
 - via online facilities, where available.
- R.5.6.159 Without prejudice to the requirements laid down in the provisions of [Directive 2008/48/EC](#) as transposed in the [Consumer Credit Regulations](#), a Regulated Person may, upon the Client's request, provide an overdraft facility in relation to a Payment Account with basic features:
- Provided that, access to, or use of, the Payment Account with basic features shall not be restricted by, or made conditional on, the purchase of such an overdraft facility.
- R.5.6.160 Regulated Persons shall offer the services linked to a Payment Account with basic features referred to in the Glossary of Definitions, R.1.4.174 and R.5.6.156 to R.5.6.159 free of charge or for a reasonable fee, irrespective of the number of operations executed on the Payment Account with basic features.
- R.5.6.161 Regulated Persons shall ensure that any fees charged to the Client for non-compliance with the Client's commitments laid down in the framework contract are reasonable.
- R.5.6.162 Regulated Persons shall ensure that the reasonable fees referred to in R.5.6.160 and R.5.6.161 are established taking into account at least the following criteria:
- national income levels in Malta or in the Member State where services on Payment Accounts are provided; and
 - average fees charged by other Regulated Persons in Malta or by other Credit Institutions in the Member States where services on Payment Accounts are provided for services provided on Payment Accounts.
- R.5.6.163 Without prejudice to R.5.6.164, R.5.6.165 and R.5.6.168, framework contracts for the provision of a Payment Account with basic features shall comply with the provisions laid down in Maltese Law transposing the requirements of [Directive 2014/92/EU](#).
- R.5.6.164 Regulated Persons may only unilaterally terminate a framework contract for the provision of a Payment Account where at least one of the following conditions is met:

- a. the Client has deliberately used the Payment Account for illegal purposes;
- b. There has been no transaction on the account, save for any interest debited or credited from the account, for more than twenty-four consecutive months;
- c. The Client provided incorrect information when applying for the Payment Account, and had the correct information been provided, the application would have been refused;
- d. The Client is no longer legally resident in Malta or in another European Union Member State; and
- e. the Client has subsequently opened a second Payment Account in Malta which qualifies as a Payment Account.

Conditions (a) to (d) apply for all types of Payment Accounts including Payment Account with basic features while condition (e) applies to Payment Accounts with basic features.

- R.5.6.165 Any termination which has been effected in accordance with R.5.6.164(a) and (c) shall have immediate effect.
- R.5.6.166 In cases of terminations referenced under R.5.6.165, the Regulated Person shall, upon termination of the framework contract, inform the Client of the grounds and the justification for termination in a Durable Medium.
- R.5.6.167 Pursuant to the requirements of the above rules, a Regulated Person shall not enforce the termination of a framework contract for a Payment Account retrospectively such that any interest or any other form of income generated by the Client from holding the Payment Account or any associated fees, costs and charges incurred by the Client up to the date when the decision to initiate the termination process according to R.5.6.168 is made, will be reversed.
- R.5.6.168 If a Regulated Person decides that it should terminate a framework contract for a Payment Account on one or more of the grounds mentioned in Rule R.5.6.164(b), (d), (e), or in any additional limited and specific cases as may be prescribed by the Minister, it shall, unless such disclosure would be contrary to objectives of national security or public policy, inform the Client of the grounds and the justification for termination:
- a. at least two months before the termination enters into force;
 - b. free of charge; and
 - c. in a durable medium

Provided that, if, after three attempts by the Regulated Person to inform the Client of such termination in accordance with indent (c), such attempts prove to be futile or are rejected by the Client, or if the Client fails to act in terms of the said notice, the Regulated Person has the right

to terminate the framework contract within ninety days from the date of the third notice.

- R.5.6.169 Any notification given by the Regulated Person in terms of R.5.6.168 shall advise the Client of:
- a. the procedure for submitting a Complaint to it against the termination;
 - b. the possibility to contact the MFSA and provide the relevant contact details; and
 - c. the right to lodge a complaint with the Office of the Arbiter for Financial Services and provide the relevant contact details.
- R.5.6.170 The Regulated Person shall keep proper records of its decision for termination and any notifications thereto.
- R.5.6.171 Where there is sufficient grounds for a Regulated Person to close or block a Client's Payment Account, the Regulated Person shall inform the Client with its intention to do so within a reasonable time before taking such action, insofar as permitted by law to do so.

Furthermore, wherever permitted by law, the Regulated Person should also provide the Client with the reason as to why the Payment Account is being closed or blocked and what remedial action could be taken by the Client in order to reverse such closure or blocking.

Section 7: Variation of Terms and Conditions

Applicability

- R.5.7.172 The Rules under this section shall apply to all Retail Products, subject to applicable legislation placing restrictions on the manner in which contracts may be modified at law. This includes, but is not limited to, the [Consumer Affairs Act](#) which, amongst others, specifies that the following are unfair contract terms whose use in consumer contracts is unlawful:
- a. Clauses enabling the trader to alter the terms of a contract unilaterally, without a valid reason which is specified in the contract; and
 - b. Clauses enabling the trader to alter unilaterally, without a valid reason, any characteristics of the product or service to be provided.

General Requirements

- R.5.7.173 Regulated Persons should advise Clients to read and understand the terms and conditions when applying for Retail Products and Services. Regulated Persons should allow Clients reasonable opportunity to review the terms and conditions at a reasonably sufficient stage before concluding the Credit Agreement in question. Where electronic devices are used in branches and in other face to-face situations to present the terms and conditions to Clients, Regulated Persons should, upon the Client's request, make available alternative means to review the relevant information.
- R.5.7.174 Regulated Persons may vary the terms and conditions of a Retail Product or Service contract on the basis of a variation clause, if any such clause is valid, fair and enforceable. However, the absence of such variation clause does not prohibit the Regulated Person to exercise Forbearance Measures.
- R.5.7.175 Where rates and charges under a Credit Agreement are variable, the Regulated Person must:
- before entering into the Credit Agreement, explain to the Client the consequences of such variations on the amount of periodic instalments payable and on the total amount payable;
 - only increase rates or charges to recover genuine increases in costs which have an effect on the credit provided under the Credit Agreement; and
 - explain to the Client before changing any rate or charge under the Credit agreement.
- R.5.7.176 In cases where a variation to contractual terms and conditions has been proposed by the Regulated Person and such variation is not covered by a variation clause, the Client may choose to refuse such variation.
- R.5.7.177 In case the Client refuses the variation and decides to terminate the Retail Product or Service, the Regulated Person should not charge any fees for the termination under the following conditions:
- the variation of the terms and conditions is considered key and relevant to the specific Retail Product or Service; or
 - the variation may adversely affect the Client
- and the Client indicates his decision to terminate the Retail Product or Service within the notice period before the variation takes effect.
- R.5.7.178 Where a Client refuses to accept the variation to the terms and conditions and chooses to terminate the Retail Product or Service within the notice period, the Regulated Person should repay to the Client any annual or other periodic fee for that Retail Product or Service on a *pro*

rata basis, if the fee has already been paid and, if the fee can be separately distinguished and unless the amount involved is minimal.

- R.5.7.179 A notice of variation to the terms and conditions should clearly demonstrate the variation in question with an explanation in plain language, where appropriate and practical. It should also indicate the ways in which the Client may demonstrate refusal, if possible, and any attaching consequences.
- R.5.7.180 Where the variation involves substantial changes to existing terms and conditions, or the changes are very complicated, the Regulated Person should provide a written summary of the key features of the revised terms and conditions.
- R.5.7.181 Regulated Persons shall issue a full version of the revised terms and conditions to Clients if there are sufficient changes to warrant it, regardless of the nature of the changes.

Section 8: Termination and Withdrawal

Part A: General Requirements

- R.5.8.182 Notwithstanding the provisions within this Section entitled 'Termination and Withdrawal', the Regulated Person has the right to terminate a banking relationship in case of inappropriate actions, or the lack of required action, taken by Clients.
- R.5.8.183 Pursuant to R.5.8.182, Regulated Persons must inform the Client about the termination of the banking relationship within the stipulated timeframes as prescribed in the following provisions under this section, while giving due consideration to AML regulations.

Part B: Requirements applicable to Consumer Credit Agreements

Applicability

- R.5.8.184 In addition to the Rules set out in Part A of Section 9, the Rules and Guidance under this Part shall solely apply to Consumer Credit Agreements as set out in the Glossary of Definitions to this Rulebook.

Open-end Credit Agreements

- R.5.8.185 A Client is entitled to terminate an open-end Consumer Credit Agreement at any time and free of charge.
- R.5.8.186 A Consumer Credit Agreement may however provide for a period of notice not exceeding one month before termination can be affected by the Client.
- R.5.8.187 If provided for in the agreement, the Regulated Person may terminate an open-end agreement by giving the Client not less than two months' notice in writing or on a Durable Medium.
- R.5.8.188 The Regulated Person may not terminate the Client's right to drawdown credit under an open-end Consumer Credit Agreement unless such termination is provided for in the agreement and is for an objectively justified reason.
- Amongst others, "objectively justified reasons" shall include suspicion by the Regulated Person that the Client is involved in an unauthorised or fraudulent use of a credit, or that there is a significant risk that the Client will be unable to fulfil his obligation to pay the credit.
- R.5.8.189 Where the Regulated Person intends to terminate the agreement in terms of R.5.8.188, it shall inform the Client in writing or on a Durable Medium of the termination and reasons leading to such termination before the date of termination or, if that is not practicable, immediately thereafter, unless the provision of information would be contrary to public policy or public security or is unlawful.

Right to Withdraw

R.5.8.190 A Client shall have the right to withdraw from a Consumer Credit Agreement without giving any reasons.

R.5.8.191 The Client's right to withdraw must be exercised within fourteen consecutive calendar days, which period starts to run either:

- a. from the day of the conclusion of the Credit Agreement; or
- b. from the day when the Client receives the contractual terms and conditions and the information in accordance with R.1.3.137 to R.1.3.139 if that day is later than the date referred to sub-paragraph (a) immediately above.

The deadline referred to in the first sub-paragraph of this Rule shall be deemed to have been met if the notification referred to in Rule 5.8.192(a) below, is dispatched by the client to the Regulated Person before that deadline expires.

Provided that for the purpose of a Consumer Credit Agreement granted by Regulated Persons which necessitate the issue of a letter of acceptance, the Consumer Credit Agreement shall be deemed to be concluded on the day the Client accepts in writing or on a Durable Medium, the terms and conditions listed in the Consumer Credit agreement relative to such Credit Agreements, including a sanction letter.

R.5.8.191A If the client has not received the contractual terms and conditions and the information in accordance with R.1.3.137 to R.1.3.139, the withdrawal period shall in any event expire twelve (12) months and fourteen (14) days after the conclusion of the credit agreement. This shall not apply if the client has not been informed about his or her right of withdrawal in accordance with R.1.3.138 (p).

R.5.8.191B In the case of a linked credit agreement for the purchase of a good with a return policy that ensures a full refund for a certain period of time exceeding 14 calendar days, the right of withdrawal shall be extended to match the duration of such return policy.

R.5.8.192 When a right of withdrawal is exercised by a Client, such Client shall take the following measures:

- a. notify the Regulated Person in accordance with the information given by the Regulated Person pursuant to R.1.3.138(p) on paper or another durable medium chosen by the client and specified in the credit agreement within the deadlines set out in R.5.8.191 above.

- b. repay to the Regulated Person the credit provided and pay the interest accrued on it which shall be calculated on the basis of the borrowing rate specified in the Consumer Credit Agreement. This shall be relevant from the date the credit was drawn down until the date it is repaid, without any undue delay and no later than thirty (30) consecutive calendar days after giving a notification in accordance with paragraph (a) above.

Provided that, the Regulated Person shall not be entitled to any other compensation from the Client in the event of withdrawal, except compensation for any non-refundable charges paid by the Regulated Person to any public administrative body.

- G.5.8.12 *Regulated Persons should accept any indication that the Client wishes to withdraw as long as it satisfies the conditions for notification. In the event of any dispute, unless there is clear written evidence to the contrary, the Regulated Person should treat the date cited by the Client as the date when the notification was dispatched.*
- R.5.8.193 Where an Ancillary Service relating to a Consumer Credit Agreement is provided by the Regulated Person or by a third party on the basis of an agreement between the third party and the Regulated Person, the Client shall not be bound by the Ancillary Service agreement if he exercises his right of withdrawal in accordance with this section.
- R.5.8.194 In virtue of rules R.5.5.190 to R.5.8.193, regulations 7 and 8 of the [Distance Selling \(Retail Financial Services\) Regulations as may be amended from time to time](#) shall not apply.
- R.5.8.195 R.5.8.190 to R.5.8.194 shall be without prejudice to any rule of national law establishing a period of time during which the performance of the contract may not begin.
- R.5.8.195A.1 Where the client has exercised a right of withdrawal, based on Union law, concerning a contract for the supply of goods or services, the client shall no longer be bound by a linked credit agreement.
- R.5.8.195A.2 Where the goods or services covered by a linked credit agreement are not supplied, or are supplied or provided only in part, or are not in conformity with the contract for the supply or provision thereof, the client shall have the right to pursue remedies in accordance with Maltese Law, against the Regulated Person if the client has pursued his remedies against the supplier or provider but has failed to obtain the satisfaction to which he is entitled according to the law or the contract for the supply of goods or services.

- R.5.8.195A.3 R.5.8.195A.1 and R.5.8.195A.2 shall be without prejudice to Maltese Legislation rendering the Regulated Person jointly and severally liable in respect of any claim which the client may have against the supplier or provider where the purchase of goods or services from the supplier or provider has been financed by a credit agreement.

Section 9: Early Repayments, Assignment and Rights of Set-off

Part A: General Requirements applicable to all Credit Agreements

- R.5.9.196 Where the rights of the Regulated Person under a Credit Agreement are, or the agreement itself is, assigned to a third-party, the Client shall be entitled to raise against that assignee, any defence available to him against the original Regulated Person. Such defence may also include the right to set-off, provided that set-off may only be raised in accordance with the relevant provisions of articles 1196 to 1204 of the Civil Code, which shall apply irrespective of anything to the contrary contained in the Credit Agreement.
- R.5.9.197 Where the rights of the credit are assigned under R.5.9.196, the Client is entitled to be informed of such assignment, except where the original Regulated Person, by agreement with the assignee, continues to service the credit towards the Client.

Part B: Requirements applicable to Consumer Credit Agreements

Applicability

- R.5.9.198 The Rules under this Part section shall apply in line with the definition of Consumer Credit Agreements as set out in the Glossary of Definitions of this Rulebook.
- R.5.9.199 This Rule has been deleted.
- R.5.9.200 Consumer Credit Agreements which provide for arrangements to be agreed by the Regulated Person and the Client in respect of deferred payments or repayment methods, where the Client is already in default on the initial Consumer Credit Agreement and where:

- a. such arrangements would be likely to avert the possibility of legal proceedings concerning such default; and
- b. the Client would not thereby be subject to terms less favourable than those laid down in the initial Consumer Credit Agreement,

shall only be subject to R.5.9.201 to R.5.9.206.

General Requirements applicable to Consumer Credit Agreements

- R.5.9.201 Regulated Persons shall ensure that the client is at any time entitled to early repayment. In such cases, the client shall be entitled to a reduction in the total cost of the credit to the client for the remaining duration of the contract. When calculating that reduction, all the costs imposed on the client by the Regulated Person shall be taken into consideration.
- R.5.9.202 In the event of early repayment, the Regulated Person shall be entitled to fair and objectively justified compensation for possible costs directly linked to the early repayment, provided that the early repayment falls within a period of time for which the borrowing rate is fixed.
- R.5.9.203 The compensation referred to under R.5.9.202 may not exceed:
- a. 1% of the amount of credit repaid early, if the period of time between the early repayment and the agreed termination of the Consumer Credit Agreement exceeds one year; and
 - b. 0.5% of the amount of credit repaid early, if the period of time between the early repayment and the agreed termination of the Consumer Credit Agreement does not exceed one year.
- R.5.9.204 By way of derogation from R.5.9.202 and R.5.9.203:
- a. the Regulated Person is only entitled to the compensation referred in R.5.9.202 and R.5.9.203, on the condition that the amount of the early repayment exceeds €10,000 within any period of twelve (12) months.
 - b. The Regulated Person may exceptionally claim higher compensation if the Regulated Person can prove that the loss suffered due to early repayment exceeds the amount determined in accordance with R.5.9.203.
- R.5.9.205 Where the compensation claimed by the Regulated Person exceeds the loss actually suffered due to early repayment, the client shall be entitled to a corresponding reduction.

For the purpose of this rule and R.5.9.204, the loss suffered shall consist of the difference between the initial agreed borrowing rate and the interest rate at which the Regulated Person can lend out the money subject to early repayment on the market at the time of that repayment, and shall take into account the impact of early repayment on administrative costs.

- R.5.9.206 The Regulated Person is not entitled to Compensation for early repayment under R.5.9.203 where one of the following conditions is fulfilled:
- a. if the repayment has been made under an insurance contract intended to provide a credit repayment guarantee;
 - b. in the case of an overdraft facility;
 - c. if the repayment falls within a period for which the borrowing rate is not fixed.
- R.5.9.207 In any case, Regulated Persons may not claim compensation which is in excess to the amount of interest the Client would have paid during the period between the early repayment and the agreed date of termination of the Consumer Credit Agreement.

Part C: Credit Agreements relating to Residential Immovable Property

Applicability

R.5.9.208 The Rules under this Part section shall apply in line with the definition of Credit Agreements relating to Residential Immovable Property as set out in the Glossary of Definitions of this Rulebook.

General Requirements applicable to Credit Agreements relating to Residential Immovable Property

R.5.9.209 A Client shall have the right to discharge his obligations under a Credit Agreement relating to Residential Immovable Property, in full or in part, before the agreed termination.

R.5.9.210 If the Client pays the credit before the agreed termination:

- a. the Client shall be entitled to a reduction of the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract; and
- b. the Regulated Person shall be entitled to a fair and objective compensation, where justified, for possible costs directly linked to the early repayment of the credit in accordance with the Credit Agreement relating to Residential Immovable Property and the information provided in R.1.2.91(i) and R.1.2.104(g) and (h), so long as the early repayment falls within a period for which the borrowing rate is fixed:

Provided that said compensation shall not exceed the financial loss of the Regulated Person and that no sanction is imposed on the Client:

Provided further that in calculating the level of compensation, consideration shall also be given to the impact of early repayment on administrative costs, irrespective of whether the borrowing rate is fixed or variable.

R.5.9.211 In determining the compensation for possible costs directly linked to early repayment of credit referred to in R.5.9.210(b), a Regulated Person shall apply the same calculations to all Clients, irrespective of the reason why early repayment was effected.

R.5.9.212 Where a Client seeks to discharge his obligations under a Credit Agreement relating to Residential Immovable Property before the agreed termination of the said Credit Agreement, the Regulated Person shall provide the Client, without delay after receipt of the request, on paper or on another durable medium, with the information necessary to consider that option.

R.5.9.213 The information referred to in R.5.9.212 shall at least quantify the implications for the Client of discharging his obligations before the agreed termination of the Credit Agreement relating to Residential Immovable Property and clearly set out any assumptions used:

Provided that, any assumptions used shall be reasonable and justifiable.

Section 10: Measures related to Arrears, Forbearance and Enforcement Proceedings pursuant to Credit Agreements

Requirements applicable to Consumer Credit Agreements

Applicability

R.5.10.214 Rules R.5.10.215 to R.5.10.217C shall solely apply to Consumer Credit Agreements as defined in the Glossary of Definitions to this Rulebook.

Specific Requirements

R.5.10.215 Regulated Persons shall have adequate policies and procedures so that they make efforts to exercise, where appropriate, reasonable forbearance before enforcement proceedings are initiated. Such forbearance measures shall take into account, among other elements, the Client's individual circumstances and may consist of, among other possibilities:

- a. A total or partial refinancing of a Consumer Credit Agreement;
- b. A modification of the existing terms and conditions of a Consumer Credit Agreement, which may include among others:
 - (i) extending the term of the Consumer Credit Agreement;
 - (ii) changing the type of Consumer Credit Agreement;

- (iii) deferring payment of all or part of the instalment repayment for a period;
 - (iv) reducing the borrowing rate;
 - (v) offering a payment holiday;
 - (vi) partial repayments;
 - (vii) currency conversions;
 - (viii) partial forgiveness and debt consolidation.
- R.5.10.215A.1 Regulated Persons shall not be required to offer forbearance measures reiteratively to consumers unless in justified cases.
- R.5.10.215A.2 Regulated Persons shall not be required to perform a creditworthiness assessment in accordance with R.5.4.131A.1 to R.5.4.131A.10, when modifying the existing terms and conditions of a credit agreement in accordance with R.5.10.215 (b), provided that the total amount payable by the client is not significantly increased when modifying the credit agreement.
- R.5.10.216 The list of potential forbearance measures set out in R.5.10.215 (b) above is without prejudice to any other rules set out in national law including in particular the national provisions implementing the European Banking Authority Guidelines on management of non-performing and forborne exposures and the European Central Bank Guidance to banks on non-performing loans.
- R.5.10.217 Where the Regulated Person is permitted to define and impose charges on the Client arising from the default, those charges shall not be greater than necessary to compensate the Regulated Person for costs it has incurred as a result of the default.
- R.5.10.217A Creditors shall ensure that independent debt advisory services are made available to consumers who experience or might experience difficulties in meeting their financial commitments, with only limited charges payable for such services.
- R.5.10.217B Creditors shall have processes and policies in place for the early detection of consumers experiencing financial difficulties.
- R.5.10.217C Creditors shall refer consumers who experience difficulties in meeting their financial commitments to debt advisory services easily accessible to the consumer.

Requirements applicable to Credit Agreements relating to Residential Immovable Property

Applicability

- R.5.10.218 Rules R.5.10.219 to R.5.10.244 and Guidance G.5.10.13 shall solely apply to Credit Agreements relating to Residential Immovable Property as defined in the Glossary of Definitions to this Rulebook.

Specific Requirements

- R.5.10.219 When a Client goes into payment difficulties in relation to his obligations under a Credit Agreement relating to Residential Immovable Property, the Regulated Person should work with the Client to establish why the financial difficulties have arisen and for the Regulated Person to take appropriate steps.
- G.5.10.13 *When dealing with Clients experiencing financial difficulty, i.e. in arrears or in default difficulties, the Regulated Person should pay due regard to the interests of its Clients and treat them fairly.*
- R.5.10.220 Any interaction by the Regulated Person with the Client in relation to their payment difficulties should respect the Client's privacy.
- R.5.10.221 The Regulated Person, as well as any Credit Intermediary acting on behalf of the Regulated Person, should maintain a level of contact and communication with a Client in payment difficulties that is proportionate to the information requirements and not excessive.
- R.5.10.222 The Regulated Person should communicate with the Client clearly and in plain language.
- R.5.10.223 The Regulated Person should provide support and, at least, the following information to Clients in payment difficulties:
- a. the number of payments either missed or only paid in part;
 - b. the total sum of the payment shortfall;
 - c. the charges incurred as a result of the payment shortfall; and
 - d. the importance of the Client co-operating with the Regulated Person to resolve the situation.

- R.5.10.224 In cases where the Client's payment difficulties persist, the Regulated Person should provide the following information to the Client:
- a. information regarding the consequences of missing payments (e.g. costs, default interest rate, possible loss of property, etc.); and
 - b. information about available government/public schemes or support.

- R.5.10.225 Regulated Persons shall exercise reasonable Forbearance Measures before enforcement proceedings are initiated and shall, as a minimum, adopt measures on the handling of arrears.

This without prejudice to R.5.7.174 whereby the exercise of Forbearance Measures does not constitute a variation to the terms and conditions and hence, the absence of a variation clause, does not prohibit a Regulated Person from exercising reasonable Forbearance Measures in line with the requirements of R.5.10.230 to R.5.10.241.

- R.5.10.226 Any charge that a Regulated Person may decide to impose on a Client arising from the Client's default shall be no greater than is necessary to compensate the Regulated Person for the costs it has incurred as a result of the said default.

- R.5.10.227 For the avoidance of doubt, the parties to a Credit Agreement relating to Residential Immovable Property are not prevented from expressly agreeing that the return or transfer to the Regulated Person of the security, or proceeds from the sale of the security, is sufficient to repay the credit.

- R.5.10.228 Where the price obtained for the secured immovable property affects the amount owed by the Client under the Credit Agreement relating to Residential Immovable Property, the Regulated Person shall ensure, as far as is reasonably practicable, that the secured immovable property is sold at the best price reasonably obtainable.

- R.5.10.229 Where, after enforcement proceedings, an outstanding debt remains, the Regulated Person shall, for the purposes of ensuring the protection of the Client, adopt measures aimed to facilitate repayment of the outstanding debt by the Client.

- R.5.10.230 In the event of an assignment to a third party of the Regulated Person's rights under a Credit Agreement relating to Residential Immovable Property, or of such Credit Agreement itself, the Client shall be entitled to plead against the assignee any defence which was available to the Client as against the original Regulated Person, including set-off where the latter is permitted.

- R.5.10.231 The Client shall be informed of an assignment referred to in R.5.10.230, except where the original Regulated Person, by agreement with the assignee, continues to service the credit vis-à-vis the Client.

- R.5.10.232 When deciding on which Forbearance Measures to take, Regulated Persons should take into account the interests of Clients and comply with consumer protection requirements. Regulated Persons should monitor the efficiency and effectiveness of Forbearance Measures.
- R.5.10.233 Clients may request modifications in the contractual conditions of their Credit Agreements relating to Residential Immovable Property without facing or being about to face difficulties in meeting their financial commitments. Regulated Persons should perform an assessment of the Client's financial situation when such modifications to contractual conditions have an impact on payment performance.
- R.5.10.234 The contractual terms for any Forbearance Measure should ensure that the Regulated Person has the right to review the agreed Forbearance Measures if the situation of the Client improves and more favourable conditions for the Regulated Person (with regard to the forbearance or the original contractual conditions) can therefore be enforced. To this end, the contract should indicate the specific changes to the Forbearance Measure to be applied as a consequence of specific improvements in the situation of the Client. Regulated Persons should also consider including strict consequences, such as a requirement for additional collateral, in the contractual terms for Clients who fail to comply with the forbearance agreement.
- R.5.10.235 Regulated Persons should distinguish between viable Forbearance Measures contributing to reducing the Clients' exposure and non-viable Forbearance Measures, with the aim of safeguarding the interest of Clients as much as possible to help them return to a sustainable financial position and performing repayment status.
- R.5.10.236 Regulated Persons should consider the following factors when assessing the viability of Forbearance Measures:
- a. The Regulated Person can demonstrate (based on objectively verifiable evidence) that the Client can afford the forbearance solution, i.e. full repayment is expected.
 - b. The resolution of outstanding arrears is fully or mostly addressed and a significant reduction in the Client's balance in the medium to long term is expected.
 - c. In cases where previous Forbearance Measures have been granted, including any previous Forbearance Measures considered in the long run, the Regulated Person should ensure that additional internal controls are implemented to ensure that this subsequent forbearance treatment meets the viability criteria outlined below. These controls should include, at a minimum, that such cases are explicitly brought to the attention of the risk control function *ex ante*. Furthermore, the explicit approval of the relevant senior decision-making body should be sought.

- d. Forbearance Measures with a short-term time horizon are applied temporarily and the Regulated Person is able to demonstrate, based on objectively verifiable evidence, that the Client has the ability to repay the original or modified amount on a full principal and interest basis commencing from the expiry date of the short-term temporary arrangement.
 - e. The measure does not result in multiple consecutive Forbearance Measures having been granted to the same exposure.
- R.5.10.237 The Regulated Person must not take steps to repossess a Client's movable or immovable property used as security under the Credit Agreement relating to Residential Immovable Property, other than as a last resort after having explored all other possible options.
- R.5.10.238 Pursuant to R.5.10.237, the Regulated Person must not threaten to commence court action in order to pressurise a Client experiencing financial difficulty to pay more than they can reasonably afford.
- R.5.10.239 Pursuant to R.5.10.244, a Regulated Person must not claim the costs of recovering a debt from a Client if it has no contractual right to claim such costs.
- R.5.10.240 Furthermore, a Regulated Person must not cause a Client to believe that the Client is legally liable to pay the costs of recovery or the cost of default where no such obligation exists.
- R.5.10.241 A Regulated Person shall ensure that any amendments in contractual terms and conditions as a result of any Forbearance Measures are put in writing and agreed by the Client.
- R.5.10.242 Regulated Persons shall have adequate policies and procedures so that they make efforts to exercise, where appropriate, reasonable forbearance before enforcement proceedings are initiated. Such forbearance measures shall take into account, among other elements, the Client's circumstances and may consist of, among other possibilities:
- a. a total or partial refinancing of a Credit Agreement relating to Residential Immovable Property;
 - b. a modification of the existing terms and conditions of a Credit Agreement, which may include among others:
 - i. extending the term of the Credit Agreement relating to Residential Immovable Property;
 - ii. changing the type of Credit Agreement relating to Residential Immovable Property;
 - iii. deferring payment of all or part of the instalment repayment for a period;
 - iv. changing the interest rate;
 - v. offering a payment holiday;

- vi. partial repayments;
- vii. currency conversions;
- viii. partial forgiveness and debt consolidation.

R.5.10.243 The list of potential forbearance measures set out in R.5.10.242(b) is without prejudice to the rules set out in national law, including in particular the national provisions implementing the European Banking Authority Guidelines on management of non-performing and forborne exposures, the European Central Bank Guidance to banks on non-performing loans, and the EBA Guidelines on the requirements regarding arrears and enforcement.

R.5.10.244 Where the Regulated Person is permitted to define and impose charges on the Client arising from the default, those charges shall not be greater than necessary to compensate the Regulated Person for costs it has incurred as a result of the default.

Procedures and NPE Strategy

R.5.10.245 The Regulated Person should establish and keep up to date, procedures to detect, as early as possible, Clients going into payment difficulties that can end up being a non-performing exposure for the Regulated Person.

In general, Regulated Persons should have in place an adequate framework to identify, measure, manage, monitor and mitigate non-performing exposures ('NPEs'), collectively referred to as the Regulated Person's NPE strategy.

In line with the NPE strategy, the Regulated Person should establish and keep up to date policies and procedures for the effective handling of and engagement with Clients in payment difficulties, hereafter referred to as the 'Client Engagement Policy'.

R.5.10.246 In the development and implementation of their NPE strategies, together with the implementation of their corresponding NPE governance and operations, Regulated Persons should take into account relevant Client protection considerations and requirements and ensure the fair treatment and protection of Clients.

R.5.10.247 The Client Engagement Policy should ensure that the Regulated Person provides adequate information through websites and other written materials with the intention of supporting Clients in payment difficulties.

- R.5.10.248 Regulated Persons should have in place an appropriate organisational framework relative to their business model which takes into account their risks, including risks stemming from NPEs. Regulated Persons therefore should devote an appropriate and proportionate amount of management attention and resources, including the provision of adequate training for staff dealing with Clients in payment difficulties, to the workout of NPEs and to the internal controls on related processes.
- R.5.10.249 In order to mitigate sufficiently any conflict of interest in managing NPEs, as well as to make good use of dedicated NPE expertise across the organisation, Regulated Persons should establish dedicated NPE workout units (NPE WUs) that are independent from loan origination activities. This separation of duties approach should encompass not only Client relationship activities (e.g. negotiation of forbearance solutions with Clients) but also the decision-making process. In this context, Regulated Persons should consider implementing dedicated decision-making bodies related to NPE workout (e.g. an NPE committee).
- R.5.10.250 Regulated Persons should build up the relevant expertise required for the defined NPE operating model, including the NPE WUs and internal control functions, in line with the provisions of the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the Board of Directors and key function holders. Staff allocated to key NPE workout tasks should have specific NPE expertise and experience. Regulated Persons should implement adequate and dedicated NPE training, including on consumer protection, and should design staff development plans to build in-house expertise using available talent.

Treatment of Clients with Mental Capacity Limitations

- R.5.10.251 A Regulated Person must suspend the pursuit of recovery of a debt from a Client when:
- the Regulated Person has been notified that the Client might not have the mental capacity to make relevant financial decisions about the management of his debt and/or to engage in the debt recovery process at the time; or
 - the Regulated Person understands or ought reasonably to be aware that the Client lacks mental capacity to make relevant financial decisions about the management of his debt and/or to engage in the debt recovery process at the time.
- G.5.10.14 *A Regulated Person should allow a Client, or a person acting on behalf of the Client, a reasonable period of time to provide evidence as to the likely impact of any mental capacity limitation on the Client's ability to engage with the Regulated Person.*
- G.5.10.15 *R.5.10.251 does not prevent a Regulated Person from pursuing the debt through a responsible third party acting on behalf of the Client, where the Client has given prior consent, for example, pursuant to a registered lasting power of attorney.*
- G.5.10.16 *Regulated Persons are required to establish and implement policies and procedures for the fair and appropriate treatment of particularly vulnerable Clients.*

Sound Forbearance Processes

- R.5.10.252 Before granting any Forbearance Measures, Regulated Persons should assess the Client's repayment capacity. This should include an adequate assessment of the Client's financial situation, based on sufficient information and taking into account relevant factors such as the debt-servicing capacity and overall indebtedness of the Client.
- R.5.10.253 Regulated Persons should have adequate policies and procedures in place with a range of sustainable and effective solutions for the Client when granting forbearance. The grouping of exposures into portfolios should be reflected in these policies and procedures, to enable Regulated Persons to adopt different Forbearance Measures for different segments of Clients and tailor measures to them.
- R.5.10.254 Forbearance contracts and documentation should include a well-defined Client target schedule, detailing all necessary targets to be achieved by the Client in order to repay the exposure over the course of the contract term. These milestones/targets should be credible, be

appropriately conservative and take account of any potential deterioration in the Client's financial situation. The performance of the forborne Client, including the Client's compliance with all agreed targets, should be closely monitored by the Regulated Person's unit responsible for granting the forbearance, at least for the duration of the probation period.

- R.5.10.255 Regulated Persons should adopt adequate mechanisms and procedures, in accordance with Section 8 of the [EBA Guidelines on the definition of default \(EBA/GL/2016/07\)](#) for the harmonised implementation of the definition in all subsidiaries and branches. This will ensure that the identification of NPEs is consistent at entity and banking group levels.

Record Keeping Requirements

- R.5.10.256 The Regulated Person should document the reasons why the possibilities of forbearance measures offered to the Client in accordance with R.5.10.225 to R.5.10.229 are appropriate for his/her individual circumstances and should make and retain adequate records of its dealing with the Client in payment difficulties for a reasonable period of time.
- R.5.10.257 The Regulated Person must take reasonable steps to ensure that it maintains accurate and adequate data, including in respect of debt and repayment history, so as to avoid the risk that:
- an individual who is not the true Client is pursued for the repayment of a debt; and
 - the Client is pursued for an incorrect amount.
- R.5.10.258 Before pursuing a Client for the repayment of a debt, the Regulated Person must take reasonable steps to verify the accuracy and adequacy of the available data so as to ensure that the true Client is pursued for the debt and that they are pursued for the correct amount.
- G.5.10.17 *A Regulated Person should ensure (subject to any legal requirements) that adequate and accurate information it holds about a Client in relation to a debt, is made available to Credit Intermediaries where relevant.*

Information relating to the Client which should be made available to any Credit Intermediaries or employees includes, for example:

- being in financial difficulties;*
- being particularly vulnerable;*
- disputing the debt;*
- a repayment plan or forbearance being in place;*
- having a representative acting on the Client's behalf.*

Settlements and Disputed Debt

- R.5.10.259 A Regulated Person must suspend any steps it takes, or where relevant, that a Credit Intermediary takes on its behalf, in the recovery of a debt from a Client where the Client disputes the debt on valid grounds or what may be valid grounds.
- G.5.10.18 *Valid grounds for disputing a debt include that:*
- a. the individual being pursued for the debt is not the true Client under the Credit Agreement in question; or*
 - b. the debt does not exist; or*
 - c. the amount of the debt being pursued is incorrect.*
- R.5.10.260 Where a Client disputes a debt on valid grounds or what may be valid grounds, the Regulated Person must investigate the dispute and provide details of the debt to the Client in a timely manner.
- R.5.10.261 Where there is a dispute as to the identity of the Client or as to the amount of the debt, it is for the Regulated Person (and not the Client) to establish, as the case may be, that the Client is the correct person in relation to the debt or that the amount is the correct amount owed under the Credit Agreement.
- R.5.10.262 A Regulated Person must provide a Client with information on the outcome of its investigations into a debt which the Client disputed on valid grounds.
- G.5.10.19 *A debt repayment is deadlocked where the Client has acknowledged his liability for a debt and has proposed a repayment plan, but the proposed repayment plan is not acceptable to the Regulated Person seeking to recover the debt.*
- R.5.10.263 A Regulated Person must give due consideration to a reasonable offer of repayment made by the Client.
- R.5.10.264 Where a Regulated Person rejects a proposal for repayment from a Client in financial difficulties, the Regulated Person's response must include a clear explanation of the reason for the rejection.
- R.5.10.265 If a Regulated Person rejects a repayment offer because it is unacceptable, the Regulated Person must not engage in any conduct intended to, or likely to, have the effect of intimidating the Client into increasing the offer.

- G.5.10.20 *Examples of conduct that may contravene R.5.10.265 would, depending on the circumstances, include where, following an unacceptable offer, a Regulated Person immediately:*
- a. *send representatives to visit the Client or communicates to the Client that it will do so;*
 - b. *substantially increases the rate of interest or imposes a substantial charge or communicates that it will do either of those things.*
- R.5.10.266 If a Regulated Person accepts a Client's offer to settle a debt, it must communicate formally and unequivocally that the offer accompanied by the relevant payment has been accepted as settlement of the Client's liability.

Outsourcing

- R.5.10.267 In cases where the activity of the Regulated Person is in whole or in parts outsourced to third parties, creditors, which are not any of the entities referred to in paragraphs 9 to 11 in the [EBA Guidelines on outsourcing arrangements \(EBA/GL/2019/02\)](#), such Regulated Person should ensure, that it complies with the requirements established in those Guidelines, including the final responsibility of the Regulated Person when outsourcing.

Section 11: Tying and Bundling Practices

Requirements applicable to Credit Agreements relating to Residential Immovable Property

- R.5.11.268 For the purposes of Credit Agreements relating to residential immovable property for Clients, whilst Bundling Practices shall be allowed, Tying Practices shall be prohibited.
- R.5.11.269 Notwithstanding R.5.11.268, Regulated Persons can request the Client or a family member or close relation of the Client to open or maintain a Payment or a Deposit Account, where the only purpose of such an account is to accumulate capital to repay the credit, to service the credit, to pool resources to obtain the credit, or to provide additional security for the Regulated Person in the event of default.
- R.5.11.270 Regulated Persons may require the Client to hold a relevant insurance policy related to the Credit Agreement provided that a Regulated Person

shall accept insurance policies from a supplier different to his preferred supplier where such policy has a level of guarantee equivalent to the one the Regulated Person has proposed.

Requirements applicable to Payment Accounts

- R.5.11.271 Where a Payment Account is offered as part of a package with another product or service which is not linked to a Payment Account, the Regulated Person shall inform the Client whether it is possible to purchase the Payment Account separately from such other product or service.
- R.5.11.272 Where a Regulated Person informs the Client in accordance with R.5.11.271 that it is possible to purchase the Payment Account separately, the Regulated Person shall additionally provide the Client with separate information regarding the costs and fees associated with each of the other products and services offered in the package that can be purchased separately.
- R.5.11.273 Where the Regulated Person does not offer such other products and services separately from the Payment Account, the Regulated Person may unbundle any of such products and services from the package. In such case, the Regulated Person shall provide separate information, including any applicable costs and fees, on the Payment Account as well as on the packaged Payment Account.

Requirements applicable to Consumer Credit Agreements

- R.5.11.273A.1 For the purposes of Credit Agreements, whilst Budling Practices shall be allowed, Tying Practices shall be prohibited.
- R.5.11.273A.2 By way of derogation from R.5.11.273A.1 above and without prejudice to the application of competition law, Regulated Persons can request the Client or a family member or close relation of the Client to open or maintain a Payment or savings account, where the only purpose of such an account is to accumulate capital to repay the credit, to service the credit, to pool resources to obtain the credit, or to provide additional security for the Regulated Person in the event of default.
- R.5.11.273A.3 Regulated Persons may require the Client to hold a relevant insurance policy related to the Credit Agreement, taking into account proportionality considerations, and provided that a Regulated Person shall accept insurance policies from a supplier different to his preferred supplier where such insurance policy has a level of guarantee equivalent

to the one the Regulated Person has proposed, without modifying the conditions of the credit offered to the client.

- R.5.11.273B.1 Regulated Persons shall not infer the agreement of the client for the conclusion of any credit agreement or for the purchase of ancillary services presented through default options. Default options include pre-ticked boxes.
- R.5.11.273B.2 The agreement of the client to the conclusion of any credit agreement or to the purchase of ancillary services presented through boxes shall be given by an unambiguous and clear affirmative act establishing a freely given, specific, informed and unambiguous indication of the client's approval to the content and substance associated to the boxes.

Section 12: Complaints Handling Mechanisms

- R.5.12.274 For the avoidance of doubt, the requirements contained in this Section shall apply with respect to all Retail Products.
- R.5.12.275 Regulated Persons shall ensure that a Complaint Management Policy is put in place and set out in a written document. This policy shall be defined and endorsed by the Regulated Person's Board of Directors, who shall also be responsible for its implementation and for monitoring compliance with it. The Complaint Management Policy shall be made available to all relevant Staff of the Regulated Person through an adequate internal channel.
- R.5.12.276 A Regulated Person's Complaint Management Policy should include processes for:
- lodging a Complaint with the Regulated Person by any reasonable means (including Complaints submitted by an authorised representative such as a family member or a lawyer) and confirmation that this is free of charge;
 - handling Complaints received, including deadlines;
 - the fair treatment of Complainants;
 - the proper treatment of a Complainant's information and personal data, according to the applicable legal framework;
 - preventing, identifying and managing possible situations of conflicts of interest in Complaints management;
 - the prompt, equal, fair and efficient management of Complaints;
 - the adequate training of Staff participating in Complaints handling within the Regulated Person;
 - internal reporting, follow up and monitoring of compliance with the Complaints Management Policy;

- i. the internal Complaints-handling procedures of the Regulated Person should be made available to Clients upon request at all time and free of charge.
- j. Record-keeping clauses.

R.5.12.277 Regulated Persons shall have in place a Complaints management function which enables them to investigate Complaints fairly and to identify or mitigate any possible conflicts of interest. Subject to the proportionality principle, it is advisable that the compliance function and the Complaints management function are properly separated.

However, in those cases where the compliance function also acts as the Regulated Person's Complaints management function, the compliance report shall address any issues arising out of the implementation of the relevant arrangements the Regulated Person has in place to assess, minimise and manage any conflicts of interest between the said two functions, including in particular, any failure identified as regards to the Regulated Person's compliance with its Complaints handling obligations.

R.5.12.278 Regulated Persons shall inform the MFSA of the identity and contact details of the individual/s involved in the Complaints management function as referred to in R.5.12.277 and any changes thereto.

G.5.12.21 *Irrespective of the governance structure that a Regulated Person may have adopted for Complaints handling, it is considered best practice for a Regulated Person to:*

- a. *appoint one or more senior manager(s) with overall regulatory responsibility for the Complaints management function or process, as appropriate;*
- b. *ensure the necessary internal flows of information and reporting lines for Complaints management, as appropriate, reaching the second and third lines of defence, bank committees and the Board of Directors; and*
- c. *control the effective and efficient treatment of Complaints.*

R.5.12.279 Regulated Persons shall register any Complaints it receives in an appropriate manner, (for example through a secure electronic register) as soon as these are received together with any action taken and follow-up with respect to such Complaints. The MFSA may at any time require the register to be produced for its review.

G.5.12.22 *In such a register referred to in R.5.12.279, Regulated Persons are recommended to include for each Complaint the date on which it was received and the date on which it was resolved.*

- R.5.12.280 Without prejudice to the provisions of the [Data Protection Act](#), the [General Data Protection Regulation \(EU\) 2016/679](#) and any applicable provisions of Maltese Law relating to record keeping, it is considered best practice for:
- a. the register of Complaints held by a Regulated Person to contain all the necessary information on the Complaints, including;
 - i. the subject of the Complaint;
 - ii. data on the Complainant;
 - iii. the date of receiving and answering the Complaint;
 - iv. whether the Complaint was resolved or is still open, including the date when the Complaint was resolved where applicable;
 - v. the result/outcome of the Complaints handling procedure; and
 - vi. the class of business or Retail Product or Service, as applicable to which the Complaint relates;
 - b. documentation relating to the Complaint to be kept and archived in a secure manner for a reasonable period of time based on the nature of the Complaint; and
 - c. a Regulated Person to provide information to Complainants regarding their Complaint, where reasonably requested by Complainants.

- R.5.12.281 Regulated Persons shall analyse on an on-going basis, Complaints handling data to ensure that they identify and address any recurring or systemic problems, and potential legal and operational risks.

In this respect, the Regulated Person shall grant to the compliance function access to all the Client Complaints it receives and shall also ensure that its compliance function:

- a. has a role in monitoring the operation of the Complaints process; and
 - b. considers Complaints as a source of relevant information in the context of the said function's general monitoring responsibilities. For the avoidance of doubt, this does not require the compliance function to have a role in determining the outcome of Complaints.
- R.5.12.282 Regulated Persons shall carry out the above analysis by, *inter alia*:
- a. analysing the causes of individual Complaints so as to identify root causes common to types of Complaint;
 - b. considering whether such root causes may also affect other processes or products, including those not directly complained of; and
 - c. correcting, where reasonable to do so, such root causes.

- G.5.12.23 *A Regulated Person should have in place the following processes in order to comply with the proper internal follow-up of Complaints:*
- a. *the collection of management information on the causes of Complaints and the Retail Products and Services Complaints relate to;*
 - b. *a process to identify the root causes of Complaints and to prioritise dealing with the root causes of Complaints;*

- c. *a process to consider whether the root causes identified may affect other processes or products;*
- d. *a process for deciding whether root causes discovered should be corrected and how this should be done; and*
- e. *regular reporting or information on recurring problems to senior management.*

R.5.12.283 Regulated Persons shall:

- a. on request or when acknowledging receipt of a Complaint, provide written information regarding their Complaints handling process;
- b. publish details of their Complaints handling process in an easily accessible manner;
- c. provide clear, accurate and up-to-date information about the Complaints-handling process including:
 - i. details of how to make a Complaint (for example, the type of information to be provided by the Complainant, the identity and contact details of the person or department to whom the Complaint should be directed, etc.); and
 - ii. the process that will be followed when handling a Complaint (for example, when the Complaint will be acknowledged, an indication of handling timelines and the availability of an authority, an ombudsman or alternative dispute resolution fora including Complaints with the [Arbiter for Financial Services Act](#), etc.);
- d. keep the Complainant informed about further handling of the Complaint;
- e. provide clear information on the language in which the Complaint may be submitted to the Regulated Person, which languages shall at least include the options of the English and Maltese languages.

R.5.12.284 Regulated Persons shall:

- a. within two working days, acknowledge receipt in writing of any Complaint;
- b. where a Complaint is made orally, the Regulated Person shall make a summary of the Complaint in writing and request the Complainant to confirm in writing the said summary;
- c. seek to gather and investigate all relevant evidence and information regarding the Complaint before taking a final decision;
- d. communicate in writing and in plain language which is clearly understood;
- e. following the acknowledgement of receipt of a Complaint in accordance with indents (a) and (b), the concerned Regulated Person shall also provide the Complainant in writing with confirmation of the following:
 - i. that the Regulated Person shall investigate the Complaint;
 - ii. that the Regulated Person shall, upon completion of the investigation and without unnecessary delay but within fifteen working days from the date of receipt of the Complaint, inform

- the Complainant in writing about the outcome of the investigation and describing its proposed course of action; and
- iii. if the investigation is not completed, or is envisaged not to be completed, within fifteen working days from the date of receipt of the Complaint, the Regulated Person shall inform the Complainant of such fact before the end of this period, including reasons for the causes of the delay, provide an indication as to when the investigation is likely to be completed and inform the Complainant that if the Complainant is not satisfied with the progress of the investigation, the matter may be referred by the Complainant to other alternative dispute resolution fora including Complaints with the Arbiter for Financial Services under the [Arbiter for Financial Services Act \(Cap.555\)](#).

- R.5.12.285 When providing a final decision in terms of R.5.12.284(e) that does not fully satisfy the Complainant's demand, the Regulated Person shall provide to the extent possible and in writing, a thorough explanation of the Regulated Person's position on the Complaint and that if the Complainant is not satisfied with the way the Complaint was resolved by the Regulated Person, the Complainant may refer the Complaint to the Office of the Arbiter for Financial Services established under the [Arbiter for Financial Services Act \(Cap.555\)](#). Such final decision by the Regulated Person shall be provided in writing.
- R.5.12.286 Any form of communication in terms of the rules above shall be communicated to the complainant clearly and in writing.
- R.5.12.287 Regulated Persons shall provide information on Complaints and Complaints handling to the MFSA as and when required in any format as required by the MFSA. This data shall, as a minimum, cover the number of Complaints received, differentiated as appropriate by product, as applicable and the cause of the Complaint.
- R.5.12.288 Without prejudice to R.5.12.287 above, where a Complaint has been lodged with the Office of the Arbiter for Financial Services and the case has been decided, the Regulated Person shall immediately provide the MFSA with a copy of the Arbiter's final decision. The Regulated Person shall also notify the MFSA immediately in the event that an appeal from the decision of the Arbiter is lodged by the Complainant or by the Regulated Person itself, in terms of the [Arbiter for Financial Services Act \(Cap.555\)](#), and once such appeal has been decided of, the final decision of the Court.
- R.5.12.289 Regulated Persons shall ensure that, when handling Complaints in terms of the rules outlined in this section, they shall abide with any data protection laws including the [Data Protection Act](#) and the [Processing of Personal Data \(Electronic Communications Sector\) Regulations](#).

Annex I – Credit-granting Criteria

This annex provides a set of criteria to be considered in the design and documentation of credit-granting criteria, in accordance with this Rulebook.

Lending to Individual Clients

1. Customer acceptance criteria, i.e. customer type, customer age limits, customer credit record
2. Definition of acceptable income
3. Minimum requirements for collateral
4. Minimum requirements for guarantees
5. Maximum loan amounts
6. Maximum loan maturities
7. Amortisation requirements (including interest rate type for the loans)
8. Risk-based limits (concentration, type of product, etc.)
9. Acceptable loan-to-value ratio limits (for secured lending)
10. Acceptable loan-to-income ratio limits
11. Acceptable debt-to-income ratio limits
12. Acceptable income-to-total-credit-obligation ratio limits (including for gross income, income after taxes and premiums, income after financial expenses, income after regular other expenses)
13. Acceptable maximum size of loan to repayment capacity
14. Compliance policy with macroprudential requirements, when relevant

Annex II – Metrics for Credit Granting and Monitoring

This Annex provides a set of credit-specific metrics to be considered by Regulated Persons when performing creditworthiness assessments and credit risk monitoring, in accordance with this Rulebook. Where relevant and more appropriate, Regulated Persons may use other metrics for that purpose.

Lending to Individual Clients

1. Loan to income
2. Loan service to income
3. Debt to income
4. Debt service to income
5. Loan To Value (LTV)

Annex III – Possible Forbearance Measures

Forbearance measure	Description	Viability and other important considerations
1. Interest only	During a defined short-term period, only interest is paid on credit facilities and no principal repayment is made. The principal amount thus remains unchanged and the terms for the repayment structure are reassessed at the end of the interest-only period, subject to the assessed repayment ability.	This measure should be considered viable only if the credit institution can demonstrate (based on reasonable documented financial information) that the financial difficulties experienced by the borrower are of a temporary nature and that after the defined interest-only period the borrower will be able to service the loan at least to the extent of the previous repayment ability. The measure should generally not exceed a period of 24 months and, in the case of construction of commercial property and project finance, 12 months. Once the defined period of this forbearance measure is over, institutions should reassess the borrower's debt-servicing capacity in order to proceed with a revised repayment schedule that is able to account for the unpaid capital element during this interest-only period. In most cases, this measure will be offered in combination with other measures of a longer-term nature to compensate for the temporary lower repayments (e.g. extension of maturity).
2. Reduced payments	Decrease in the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's affected cash flow situation, before continuing with the repayments on the basis of projected repayment ability. The interest remains to be paid in full.	See '1. Interest only'. If the amount of the payment reduction is moderate and all other conditions mentioned above are met, this measure could be applied for a period longer than 24 months.
3. Grace period/payment moratorium	An agreement allowing the borrower a defined delay in fulfilling the repayment	See '1. Interest only.'

Forbearance measure	Description	Viability and other important considerations
	obligations, usually with regard to the principal and interest.	
4. Arrears/interest capitalisation	Forbearance of arrears and/or accrued interest arrears by the addition of those unpaid amounts to the outstanding principal balance for repayment under a sustainable rescheduled programme.	The measure should be granted/considered viable only where the institution has assessed that the borrower's verified income/expenditure levels (based on reasonable documented financial information) and the proposed revised repayments are sufficient to enable the borrower to service the revised loan repayment on a principal and interest basis for the duration of the revised repayment schedule, and where the institution has formally sought confirmation that the borrower understands and accepts the capitalisation conditions. Arrears capitalisation should be provided only selectively in cases where the recovery of historical arrears or payments due under the contract is not possible and capitalisation is the only option realistically available. Institutions should generally avoid offering this measure to a borrower more than once, and the measure should be applied only to arrears that do not exceed a predefined size relative to the overall principal (which should be defined in the credit institution's forbearance policy). The institution should assess the percentage of arrears being capitalised compared with the principal and interest repayments as adequate and appropriate for the borrower.
5. Interest rate reduction	Permanent (or temporary) reduction in interest rate (fixed or variable) to a fair and sustainable rate.	Exposures with high interest rates are one of the common causes of financial distress. The financial difficulties of a borrower may partly derive from the fact that the interest rates are excessively high compared with the income of the borrower or from the fact that the evolution of interest rates, as opposed to a fixed rate, has resulted in the borrower receiving finance at an exorbitant cost, compared with prevailing market conditions. In such cases, an interest rate reduction could be considered.

Forbearance measure	Description	Viability and other important considerations
		If affordability can be achieved only at below-risk or below-cost rates, this should be clearly flagged. This measure could be applied also as a short-term measure.
6. Extension of maturity/term	Extension of the maturity of the loan (i.e. of the last contractual loan instalment date), which allows a reduction in instalment amounts by spreading the repayments over a longer period.	If the borrower is subject to a compulsory retirement age, term extension should be considered viable only where the institution has assessed and can demonstrate that the borrower can, through a pension or other sources of verified income, service the revised loan repayments on an affordable basis. Term extension should be considered viable only where it is in line with the life cycle of existing collaterals or proper substitution of the existing collaterals occurs.
7. Additional collateral	Additional liens on unencumbered assets are obtained as additional collateral from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.	This measure is not a viable standalone forbearance measure as it does not in itself resolve the presence of arrears on a loan. It usually aims to improve or cure LTV ratio covenants. Additional collateral may take many forms, such as a pledge on a cash deposit, assignment of receivables or a new/additional mortgage on immovable property. Institutions should value second and third liens on assets as well as personal guarantees with care.
8. Sale by agreement/assisted sale	The credit institution and the borrower agree to voluntarily dispose of the secured asset(s) to partially or fully repay the debt.	Credit institutions should restructure any residual debt post the assisted sale with an appropriate repayment schedule in line with the borrower's reassessed repayment ability. For forbearance measures that may require the sale of the property at the end of the term, credit institutions should conservatively consider the future approach to any shortfall that could remain after the sale of the property and address it as early as possible. For exposures that are repaid by repossession of collateral at a predefined moment, the repossession does not

Forbearance measure	Description	Viability and other important considerations
		constitute a forbearance measure unless it is exercised ahead of the predefined moment due to financial difficulties.
9. Rescheduled payments	The existing contractual repayment schedule is adjusted to a new sustainable repayment programme based on a credible, current and forecasted assessment of the borrower's cash flow	Different repayment options may include: i. Partial repayment: when a payment is made against the exposure, for example from a sale of assets that is lower than the outstanding balance. This option is applied to significantly reduce the exposure at risk and to enable a sustainable repayment programme for the remaining outstanding amount. This option should be preferred to the bullet and step-up options described below. ii. Balloon or bullet payments: when the rescheduled repayment ensures a large payment of the principal at a later date before loan maturity. This option should be used/considered viable only in exceptional circumstances and when the institution can duly demonstrate future cash flow availability by the borrower to meet the balloon or bullet payment. iii. Step-up payments: credit institutions should consider a solution including this option viable only when they can ensure, and are able to demonstrate, that there is good reason to expect that future increases in payments can be met by the borrower.
10. Conversion of currency	When the currency of the exposure is aligned with the currency of the cash flow.	Credit institutions should explain fully to borrowers the risks of foreign exchange and should also refer to currency conversion insurance.
11. Other alteration of contract conditions/covenants	When the credit institution discharges the borrower of covenants or conditions included in a loan agreement not listed above.	
12. Refinancing/new credit facilities	Providing new financing arrangements in order to support the recovery of a distressed borrower.	This is usually not a viable standalone forbearance measure; it should be combined with other forbearance measures addressing existing arrears. It should be applied only in exceptional cases.

Forbearance measure	Description	Viability and other important considerations
		New credit facilities may be granted that may entail the pledging of additional collateral. In the case of inter-creditor arrangements, the introduction of covenants may be necessary to compensate for the additional risk incurred by the credit institution. This measure may be more suitable for corporate exposures; a thorough assessment of the borrower's ability to pay should be performed, including sufficient involvement of independent sectoral experts to judge the viability of business plans and cash flow projections provided. This measure should be considered viable only when the thorough affordability assessment demonstrates repayment capacity in full.
13. Debt consolidation	Combining multiple exposures into a single exposure or a limited number of exposures.	This is usually not a viable standalone forbearance measure; it should be combined with other forbearance measures addressing existing arrears. This measure is particularly beneficial in situations where combining collateral and secured cash flow provides greater overall collateral coverage for the entire debt, for example, by minimising cash leaks or by facilitating reallocation of cash flow surplus between exposures.
14. Partial or total debt forgiveness	The credit institution forfeits the right to legally recover part or the whole of the amount of the debt outstanding from the borrower.	This measure should be used where the credit institution agrees to a 'reduced payment in full and final settlement' whereby the credit institution will forgive all of the remaining debt if the borrower repays the reduced amount of the principal balance within an agreed timeframe. Credit institutions should apply debt forgiveness options carefully, since the possibility of forgiveness can give rise to moral hazard and thus might encourage 'strategic defaults'. Therefore, institutions should define specific forgiveness policies and procedures to ensure strong controls are in place.

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