



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

STATEMENT OF DECISION ON THE EXTENSION OF THE SECTORAL SYSTEMIC RISK BUFFER IN MALTA

Background

The Systemic Risk Buffer (SyRB) is a macroprudential tool emanating from Article 133 of the CRD framework which in turn has also been transposed in the Central Bank of Malta Directive no.11 on Macroprudential Policy. As per Article 133(1) of CRDV, the SyRB can be used “to prevent and mitigate macroprudential or systemic risks not covered by Regulation (EU) No 575/2013 and by Articles 130 and 131 of this Directive, in the meaning of a risk of disruption in the financial system with the potential to have serious negative consequences to the financial system and the real economy in a specific Member State.”

Article 133(1) also outlines that “Each Member State may introduce a systemic risk buffer of Common Equity Tier 1 capital for the financial sector or one or more subsets of that sector on all or a subset of exposures.” The SyRB can also be applied to a subset of institutions. These characteristics enhance the flexibility and targeted nature of the SyRB, making it an ideal measure in addressing specific systemic risks emanating from a particular sector without impacting other sectors/institutions which are recovering and/or where no vulnerabilities are prevailing.

Statement of Decision

On 24 December 2025, the Central Bank of Malta in collaboration with the Malta Financial Services Authority (MFSA) under the auspices of the Joint Financial Stability Board (JFSB), decided to extend the current Sectoral Systemic Risk Buffer (sSyRB) of 1.5% originally applied on the amount of risk-weighted assets held against domestic mortgages exposures to natural persons and secured by residential real estate (RRE), to all exposures secured by immovable property in Malta. The tool is now also applicable to both natural and legal persons and covers all credit institutions in Malta engaged in the business of extending such credit domestically. The aim of the sSyRB is to address systemic cyclical and structural risks related to the exposure of the domestic banking system to the real estate sector risk via loans to households and NFCs secured by immovable property.

The sSyRB requirement shall be complied with at the country's highest consolidation level. The review of the measure will take place at least every two years in accordance with the provisions of CRDV and as transposed in CBM Directive No.11. In addition, regular review of the underlying risks being addressed by the sSyRB will take place, which in turn will assess the adequacy or otherwise of the buffer. As a result, if deemed necessary, the sSyRB might be reviewed before the stipulated period of two years.

Applicability of the measure

The amount of buffer in terms of CET 1 capital that banks are required to hold will depend on the proportion of risk weight assets reflecting such exposures. This should be calculated from two distinct data points in COREP FINREP returns, namely from "Secured by Mortgages on Immovable Property and ADC Exposures" from sheet C09.01.A_MT (Row 90, Column 90) and adding with it the non-performing loans related to NFCs and HHs collateralized by immovable property from sheet F20.04_MT (Rows 210 and 230, Column 025).

The CBM reserves the right to review the scope and applicability of the sSyRB in line with the evolving market developments and risk landscape. This Decision is applicable as from 30 June 2026, with the buffer rate remaining set at 1.5%.

