

17 February 2026

Circular to Credit Institutions on the Publication of a New Banking Rule BR/32 on Technical Specifications under the Capital Requirements Regulation

The Malta Financial Services Authority (the 'Authority') is hereby issuing a new **Banking Rule BR/32 on Technical Specifications under the Capital Requirements Regulation** (the 'Rule'), addressed to all credit institutions licensed under the Banking Act, and, where applicable, to financial holding companies and mixed financial holding companies.

A. Overview of New Banking Rule

The Rule implements the EBA Guidelines on Acquisition, Development and Construction (ADC) exposures to residential property under Article 126a of Regulation (EU) 575/2013 (the 'CRR'), published on 27 June 2025 ([EBA/GL/2025/03](#)).

Article 126a(1) of the CRR specifies that ADC exposures are subject to a default risk weight of 150% due to their association with heightened risk. However, Article 126a(2) then specifies that ADC exposures to residential property may be assigned a reduced risk weight of 100% provided that specific risk-mitigating conditions are met.

In this regard, the Rule implements the EBA Guidelines by elaborating on such conditions, taking into account the specificities of the institutions' lending to public housing and/or to not-for-profit entities established to serve social purposes and to offer tenants long-term housing.

Credit institutions must apply sound origination and monitoring standards and shall maintain appropriate documentation outlining the rationale when applying the preferential risk weight of 100% and shall be in a position to provide such documentation to the Authority, when requested.

B. Conclusion

The Rule shall be applicable **with immediate effect.**

This Circular shall not be construed as a replacement of the provisions of the new Rule, and the new Rule shall prevail in case of any conflict. Any queries in relation to the above should be directed to Banking Supervision (Policy and Legal) on bsupolicy@mfsa.mt.