BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

MFSA MALTA FINANCIAL SERVICES AUTHORITY

GOVERNMENT OF MALTA
MINISTRY FOR FINANCE

MEMORANDUM OF UNDERSTANDING

among

The Ministry for Finance,

The Central Bank of Malta

and

The Malta Financial Services Authority

on

Cooperation in the Prevention and Management of

Financial Crisis Situations

THIS MEMORANDUM OF UNDERSTANDING is made

Among

the Ministry for Finance (hereinafter 'the Ministry')

the Central Bank of Malta (hereinafter 'the Bank')

and

the Malta Financial Services Authority (hereinafter 'the Authority')

(hereinafter also referred to individually and jointly as the 'Party' and 'the Parties' respectively)

WHEREAS:

i. The Parties acknowledge that they have a common interest in Malta's financial stability and are therefore hereby committing themselves to open, full, constructive and timely cooperation, particularly in a financial crisis situation, and to voluntarily liaise with each other, both under normal circumstances and in a financial crisis situation, including the prevention thereof.

ii. The Parties recognise that, in a financial crisis situation and the prevention thereof, each of them will have a role different from that of the other Parties and that their responsibilities during the various stages of a financial crisis shall differ from one another, whilst acknowledging the interconnected nature of their respective roles and actions.

iii. The Parties are by means of this Memorandum of Understanding (MoU) agreeing to establish and set out procedures which provide for the creation of specific and efficient channels for the mutual exchange of information of a qualitative and quantitative nature at a level which enables the Parties to make an overall assessment and, if necessary, an assessment of the components of the sectors for which each is responsible.

1. Introduction and Scope

1.0 The purpose of this MoU is to ensure cooperation and coordination between the Ministry, the Bank and the Authority in the prevention and management of financial crisis situations.

1.1 The MoU is specifically designed to ensure appropriate procedures for sharing information and assessments in order to preserve financial stability at a minimum cost, and to facilitate the policy functions of the Parties in preparing for, preventing and dealing with financial crisis situations in an economic, efficient and effective manner.

1.2 This MoU is not legally binding, and therefore the provisions listed hereunder may not give rise to any legal claim on behalf of any Party or third parties in the course of their practical implementation.

1.3 The provisions of this MoU do not establish or assume any particular decisions or remedies to be taken in a financial crisis situation.

1.4 This MoU does not impose any legal commitment on any of the Parties to intervene in favour of an entity affected by a financial crisis.

1.5 The Parties acknowledge that a financial crisis situation shall include an emergency liquidity assistance (ELA) scenario.

1.6 The Parties further acknowledge that they may only provide information or assistance under this MoU if permitted or not prevented under the Applicable Laws, Regulations and Requirements.

2. Definitions

"Applicable Laws, Regulations and Requirements" means any law, regulation or requirement applicable in Malta or applying to the Parties and, where the context permits, includes any rule, direction, requirement, or policy made or given by or to be taken into account by either Party.

"Authority" means the Malta Financial Services Authority.

"Bank" means the Central Bank of Malta.

"Banking Act" refers to Cap. 371 of the Laws of Malta.

"Central Bank of Malta Act" or "CBM Act" refer to Cap. 204 of the Laws of Malta, and it is the law by means of which the Bank is established.

"Joint Financial Stability Board" means the Board established by article 17B of the Central Bank of Malta Act.

"Malta" shall have the meaning assigned to it by article 124(1) of the Constitution of Malta.

"Malta Financial Services Authority Act" or "MFSA Act" refer to Cap. 330 of the Laws of Malta, and it is the law by means of which the Authority is established.

"Minister" refers to the Minister responsible for finance in Malta.

"Ministry" means the Ministry for finance in Malta.

"Recovery and Resolution Regulations" refers to Subsidiary Legislation 330.09 of the Laws of Malta.

3. Responsibilities and Functions

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3.1 The Parties agree that the MoU will serve to enable each Party to better fulfil its responsibilities in the prevention and management of financial crisis situations as follows:

i. **The Authority**: The role of the Authority in the prevention and management of financial crisis stems from its responsibility, *inter alia*, for the licensing, regulation and supervision of credit and financial institutions, credit servicers, the business of insurance and activities of insurance intermediaries, investment services and collective investment schemes, retirement schemes, retirement funds, retirement scheme administrators, asset managers, trustees, company service providers, virtual financial assets,regulated markets and central securities depositories.

   Furthermore, in virtue of article 7B of the Malta Financial Services Authority Act, the Authority's Board of Governors is also the Resolution Authority, which in turn assigned all its powers to the Resolution Committee in terms of the same said article. The Resolution Committee is also responsible for the resolution of banks, certain investment firms and central counterparties (CCPs).

   Other functions of the Authority include, the investigation allegations of practices and activities detrimental to consumers of financial services; ensuring high standards of conduct to promote financial market integrity and the legitimate expectations of consumers of financial services, the promotion of fair competition practices and consumer choice in financial services, and to complement the Bank in its role to ensure the stability of the financial system.

   By virtue of the MFSA Act, the Recovery and Resolution Regulations (RRR) and the Banking Act, the Authority, in its capacity as the National Competent Authority ('NCA'), and in its capacity as the National Resolution Authority ('NRA'), have been vested with a number of powers.

   The NCA is empowered, *inter alia*, to take early intervention measures, including activating the recovery plan and the appointment of a temporary administrator for the purpose of safeguarding the interests of depositors as well as determining that a credit institution is failing or likely to fail.

The functions of the NRA are carried out through the Resolution Committee. Whilst the Resolution Committee is also empowered to determine that a credit institution is failing or likely to fail, it has the obligation of resolving the said institution if it is in the public interest. By virtue of the RRR, the abovementioned powers also extend in relation to certain investment firms. Moreover, the NCA and the Resolution Committee are also responsible for the recovery and resolution of central counter-parties[1].

The Authority also takes an active role in the Joint Financial Stability Board (JFSB). It reports to and coordinates regularly with the Single Resolution Board (SRB) the latter being the authority for the Single Resolution Mechanism (SRM) of banks and the Authority is a member of the SRB Plenary amongst other sub-groups. The Authority also reports to and regularly coordinates with the European Central Bank (ECB) as the supervisory authority for SSM (Single Supervisory Mechanism) of banks, and is a voting member of the ECB Supervisory Board. It is also a voting member of the SRB, of the Board of Supervisors of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), and it is a non-voting member of the European Systemic Risk Board (ESRB).

ii. **The Bank**: The responsibility of the Bank in respect of the prevention and management of financial crisis stems from its objective of ensuring financial stability in terms of articles 5(1), 17 and 17A of the Central Bank of Malta Act, *inter alia*:
   - to ensure the stability of the financial system;
   - to promote a sound and efficient payment system;
   - to formulate and implement macro-prudential policies and tools;
   - to act as a lender of last resort; and

[1] Regulation (EU) No 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties (CCP recovery and resolution)

- to compile and publish statistics.

The Bank Chairs the JFSB and is actively involved on this Board with the aim of ensuring effective cooperation between the relevant authorities in the area of financial stability.

The Bank cooperates with the ESRB, the ECB and with other national or international micro and macro-prudential authorities in the exchange of information to ensure effective oversight. The Bank also identifies potential systemic risks and contributes to the formulation of macro-prudential policy and recommendations to mitigate such risks. The Bank participates in the respective structures of the European System of Financial Supervisors (ESFS), which is composed of the ESRB and the European Supervisory Authorities (ESA), namely, the EBA, the EIOPA and the ESMA. The Bank participates as a member of the Supervisory Board of the ECB and is a representative on the Board of Supervisors of the EBA. Moreover, the Bank is a member of the Governing Council of the ECB, and also maintains strong relations with other institutions, such as the International Monetary Fund (IMF).

iii. **The Ministry:** The Ministry is responsible for the maintenance of a sound fiscal framework that enables government to better control Government Expenditure and Revenue and to ensure financial sustainability in the medium and long term. The Ministry is responsible for the establishment of the proper mechanisms necessary to ensure cost effectiveness and value for money in use and management of public funds (including guarantees). The Ministry is accountable to Parliament and keeps Parliament appropriately informed of serious problems in the financial system and the measures required to resolve such problems, including the establishment of public backstops and communication with the EU Commission on State Aid issues. Furthermore, the Ministry participates as an observer on the JFSB and is Malta's representative on the World Bank Group. The Ministry coordinates national involvement in discussions on financial matters in the relevant European and international fora, including at European Council and with the European Commission as well as the IMF, and in relation to ongoing as well as upcoming proposals related to the financial sector. In line with applicable regulations, the Ministry is also responsible for assessing and approving actions stemming from financial crisis preparedness and management which could have systemic implications or an impact on public finances.

4. SCOPE OF CO-OPERATION IN THE PREVENTION AND MANAGEMENT OF FINANCIAL CRISIS SITUATIONS

4.1 Cooperation will primarily involve the exchange of information, views and situation assessments among the Parties, both for the prevention of a financial crisis situation and also during a financial crisis situation. For this purpose, the Parties have agreed to conclude this MoU and to cooperate in accordance with the framework set out by this MoU, also taking into account the framework set out in the Memorandum of Understanding on Cooperation between the Financial Supervisory Authorities, Central Banks and Financial Ministries of the European Union on Cross-Border Financial Stability of the 1st June 2008.

4.2 Cooperation in the prevention and management of financial crisis situations between the Parties is strengthened through their involvement in the JFSB which requires appropriate and effective cooperation and information exchange with and between the Domestic Standing Committee (DSC) and the Crisis Management Working Group (CMWG). Towards this aim, and without prejudice to the observer status of the Ministry on the JFSB, appropriate representation of the Parties should also be ensured across levels of the joint setups described in this MoU. The JFSB, aided by the DSC and the CMWG, is responsible for the formulation of policy recommendations designed to safeguard financial stability; to identify and assess the application of macro and micro-prudential instruments in order to prevent crisis events; and to provide advice on how to act in respect of a credit or financial institution which presents risks to the stability of the financial system.

4.3 This MoU applies both under normal circumstances in the prevention of a financial crisis, and also in financial crisis situations, thereby enabling the Parties to enhance their preparedness to prevent and manage a domestic or a cross-border systemic financial crisis.

5. DOMESTIC STANDING COMMITTEE FOR THE MANAGEMENT OF FINANCIAL CRISIS SITUATIONS

5.3 The Parties take cognisance of the 'Domestic Standing Group for the Management of Financial Crisis Situations' which was established under an MoU entered into by the Parties on the 3rd November 2009. In this respect, the Parties have established a 'Domestic Standing Committee (DSC) for the Management of Financial Crisis Situations' in its stead, and hence replaced the said Domestic Standing Group by enhancing on its role and functions. Accordingly, the said DSC has the following objectives:

i. to enhance preparedness under normal circumstances, to facilitate the management and resolution of a financial crisis; and

ii. to meet, exchange views, evaluate and consult on matters and developments of mutual interest, and to consider effective measures and action that any or all of the Parties may need to take in a timely manner, including alerting each other about a developing concern or an imminent crisis, in order to prevent and manage potential systemic crisis situations as well as corresponding situations which could have a bearing on public finances.

5.4 The Parties agree to establish more detailed provisions and parameters for the proper

functioning of the DSC in the national Framework on the Management of Domestic Financial Crisis (as established and maintained by the Parties), and as shall be reflected in the DSC terms of reference as may be amended from time to time. Within these parameters the DSC shall regulate its own procedures.

5.5 The Parties agree to set up their own respective working groups to assist the members of the DSC itself in reaching policy decisions for the prevention and management of a financial crisis situation. The composition of these working groups is to be detailed in the national Framework on the Management of Domestic Financial Crisis.

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5.6 The DSC shall be chaired by the Bank's Deputy Governor who shall perform duties relating to financial stability. The composition of the DSC is set out in the Terms of Reference of the DSC.

5.7 The DSC may invite representatives from other entities in terms of paragraph 11 of its Terms of Reference.

6. EXCHANGE OF INFORMATION AND COMMUNICATION

6.1 In the course of the exercise of their statutory responsibilities, the Parties gather a wide range of information and data to discharge their responsibilities. The Parties, therefore, within the terms of this MoU, and through additional agreements as agreed from time to time, undertake to provide mutual assistance through the exchange of information within their area of competence and responsibility for the efficient and effective evaluation, prevention and management of financial crisis.[2]

6.2 In order to effectively prevent, evaluate and manage a financial crisis, the Party that becomes aware of the emergence or a developing potentially serious financial and economic disturbance shall inform, as soon as practicable, the other Parties and the Chairman of the DSC who shall ensure that all relevant information is promptly shared between them.

6.3 The DSC may also seek the advice of the JFSB where an issue appears to place the stability of the financial system at risk. Similarly, the DSC may also inform and exchange views with the JFSB.

6.4 The JFSB shall not be construed as being a replacement for the day-to-day working relationship among the Parties in the exchange of information as established by this MoU.

6.5 Each Party agrees that the information and data received within the provisions of this MoU is used solely for the discharge of responsibilities in the prevention, management and resolution of financial crisis situations. The information and

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[2] The cooperation between the Bank and the Authority concerning the exchange of information in the field of financial services for the purpose of ensuring the safety and soundness of the financial system in Malta, is also outlined in a separate MoU signed on the 25 January 2013.

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data shall not be transmitted to third parties except where and as expressly permitted by law and, or by this MoU.

6.6 The Parties further agree that in cooperating in the exchange of information and data in times of crisis, each Party shall ensure operational efficiency in order to ensure that information and data is provided as expediently and as accurately as possible, and that the information so exchanged shall retain its secret or confidential status.

6.7 Information to be shared among the Parties under this MoU may include views and qualitative assessments and, where relevant, specific information on relevant areas/institutions, such as:

i. potential systemic implications for the financial system and the economy;
ii. specific channels of contagion of the crisis to institutions, markets and market infrastructures;
iii. consideration of other relevant economic implications of the crisis situation;
iv. any policy measures and constraints to the implementation of policy measures;
v. all information relevant on recovery and resolution planning;
vi. crisis resolution issues;
vii. updates on relevant developments and related information such as those emerging from EU Directives and Regulations; and
viii. potential impact on public finances.

6.8 The Parties also agree to coordinate public communication, particularly in a crisis situation, such that their statements are consistent in their message.

6.9 The representative of each Party in the DSC shall act as the contact person responsible to co-ordinate, oversee and consult as necessary to ensure the smooth functioning of this MoU.

7. Professional Secrecy, Permissible Uses of Information, Confidentiality and Disclosure, and Data Protection

7.1 Employees of the Parties are bound by law to adhere to the obligation of professional secrecy in respect of information acquired in the course of carrying out their respective duties, whatever the source of the information. The obligation of the Parties to maintain professional secrecy shall remain in effect notwithstanding the termination or otherwise of this MoU.

7.2 A Party that receives non-public information under this MoU ("Recipient Party") agrees to treat such information as confidential in accordance with the provisions of this MoU and within the parameters of the Applicable Laws, Regulations and Requirements. The Parties shall also keep confidential requests made under this MoU, the contents of such requests, and any matters arising under this MoU, including consultations between or among the Parties.

7.3 The Recipient Party shall comply with any restrictions on the use or disclosure of non-public information that are imposed on it when such information is provided.

7.4 Subject to the terms of the paragraph immediately hereunder, the Recipient Party may use non-public information provided under this MoU, whether in response to a request for assistance or via the provision of unsolicited information, only for the purpose of carrying out its lawful functions, and exclusively for the purpose set out in the request or in this MoU, or for the purposes for which the unsolicited information was provided. If the Recipient Party intends to use non-public information for any purpose other than as agreed between the Parties or set out in the request, it must obtain the prior written consent of the Party that provided the non-public information ("Transferring Party").

7.5 The Recipient Party shall consult with and obtain the prior written consent of the Transferring Party if it intends to pass on or disclose to any other person, information obtained from the Transferring Party.

Provided that, if the Recipient Party receives a request from a third party for shared information but disclosure is not legally compelled, the Recipient Party shall consult with and obtain the prior written consent of the Transferring Party prior to disclosure of the requested information.

Provided further that, in the event of a legally enforceable demand for the disclosure of non-public information, the Recipient Party will notify the Transferring Party prior to complying with the demand, and will assert such appropriate legal exemptions or privileges with respect to such information as may be available. The Recipient Party will use its best efforts to protect the confidentiality of non-public information received under this MoU.

7.6 The Parties agree that any request for and sharing of information shall comply with privacy, confidentiality and disclosure requirements at law. Without prejudice to the obligations and responsibilities of each respective Party as they arise from their enabling laws, any personal data which may come into their respective possession in pursuance of this MoU is treated in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), the Data Protection Act (Cap. 586 of the Laws of Malta) and any other European Union and national law in relation thereto.

7.7 The obligations set out in this section shall be for an indefinite period and shall survive the termination of this MoU.

8. Crisis Arrangements and Contingency Planning

8.1 The Parties will endeavour to develop, as well as to test and update on a regular basis, contingency arrangements for preparing for and managing financial crisis situations, including the conduct of stress-testing and simulation exercises. The primary goal of such exercises would be to enhance the preparedness of the Parties for handling potential crisis situations. Such exercises shall also include testing the appropriateness of information sharing channels and modes of communication, including the relevant IT and technical aspects of the information sharing framework.

8.2 Information exchange should take place in a secured manner whilst ensuring the upkeep of the information exchange system over time as may be necessary to allow for unhindered exchanges between the Parties whenever required.

9. Consultation on Policy Changes

Each Party shall inform the other Parties about any major policy or legislative changes falling within their respective remits, in respect of their responsibilities under this MoU. Each Party shall consult the other Parties in advance of any such policy or legislative changes which are likely to have a bearing on their mutual responsibilities.

10. COMMUNICATIONS

The Parties under this MoU shall endeavour to use the mode of communication best suited in their collaboration, coordination and exchange of information under this MoU, provided that any Party may require that a request in any particular case or cases be made in writing. When communicating, due consideration shall be given by the Parties to the importance and significance of the information being exchanged and, consequently, to the level of management at which the information may be exchanged while also ensuring that this does not jeopardise the effectiveness of information sharing as may be required.

11. INTERNATIONAL RELATIONS

11.1 To the fullest extent possible, and particularly in view of the cross-border nature of most financial crisis, the Parties shall, both collectively and separately, seek to cooperate in international fora, more specifically through participation in relevant international regulatory groupings and conferences, on relevant financial matters of interest to all Parties in terms of this MoU.

11.2 Where only one Party is represented, it will ensure that he or she will give the others the opportunity to contribute information and views in advance of any meeting; and will report fully to the others after the meeting. When more than one Party participates in these meetings, they shall collaborate on preparations for the meeting and on any subsequent follow-up. This applies for example to their participation in ESA meetings, regular meetings with the Governing Council and Supervisory Board of the ECB and the SRB to discuss financial stability issues.

11.3 The Parties agree to consult each other on stances regarding international cooperation on matters concerning or relating to the prevention and management of financial crisis situations.

12. TERM AND REVISIONS

12.1 Without prejudice to anything done thereunder, this MoU shall replace the Memorandum of Understanding entered into by the Parties on the 3rd day of November 2009 on Cooperation in the Management of Financial Crisis Situations.

12.2 The terms of this MoU, which has been signed in three original copies, shall remain in full force and effect until such time as they are amended by mutual written agreement of the Parties.

12.3 Amendments to this MoU may be proposed by any one of the Parties by giving notice in writing to the other Parties. Any amendments shall only be brought into force by written agreement of the Parties. The Parties further agree that any proposed amendment shall not suspend the operation of this MoU until it is implemented, unless the Parties agree that there are serious reasons why the MoU should be suspended.

Agreed and signed this 19 day of month of January 2026.

Hon Mr Clyde Caruana
Minister for Finance

Mr Alexander Demarco

Governor, Central Bank of Malta

MALTA FINANCIAL SERVICES AUTHORITY

19/01/2026.

Mr Kenneth Farrugia

Chief Executive Officer, Malta Financial Services Authority