



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

**MFSA** MALTA  
FINANCIAL  
SERVICES  
AUTHORITY

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2022 STATEMENT OF DECISION ON THE IDENTIFICATION OF OTHER  
SYSTEMICALLY IMPORTANT INSTITUTIONS AND THE RELATED  
CAPITAL BUFFER CALIBRATION

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## Background

The Other Systemically Important Institutions (“O-SIIs”) capital buffer is a macro-prudential tool legally embedded in the CRD/CRR framework which, in turn, has been domestically transposed in the Central Bank of Malta Directive No. 11<sup>1</sup> and Malta Financial Services Authority Banking Rule 15<sup>2</sup>. The O-SII buffer consists of a capital surcharge which is applied to institutions that, due to their systemic importance, are more likely to create risks to financial stability. This capital buffer is applied to domestic systemically important institutions to enhance their resilience by increasing their loss absorbing capacity, thereby ensuring that these institutions pose reduced risk to the domestic economy. The O-SII buffer is reviewed by the Bank jointly with the Malta Financial Services Authority on an annual basis.

Pursuant to LN 29 of 2014 (S.L.204.06) and considering the EBA Guidelines for the assessment of O-SIIs, the Central Bank of Malta and the Malta Financial Services Authority (hereinafter collectively referred to as ‘the Authorities’) developed a methodology for the identification of O-SIIs and the related capital calibration.<sup>3</sup> The MT O-SII Methodology is therefore designed to reflect the characteristics of the domestic financial sector by capturing the main transmission channels of systemic risk in Malta.<sup>4</sup>

### 1. Identified O-SIIs and applicable O-SII buffer rates

Based on the results of the 2021 (latest) O-SII identification exercise, the same four credit institutions identified as O-SIIs during the 2020 exercise, have been re-confirmed as O-SIIs. The table below lists these institutions together with their applicable capital buffer rates. These credit institutions were contacted separately and were provided with more details on the results of the methodology and the respective applicable capital buffer rates.

**Table 1: Designated O-SIIs and applicable capital buffer rates**

Credit Institution	Buffer rate
Bank of Valletta plc (BOV)	2.00%
HSBC Bank Malta p.l.c. (HSBC)	1.50%
MDB Group Limited (MED)	1.00%
APS Bank plc (APS)	0.25%

<sup>1</sup> [Directive No. 11 – Macro-prudential Policy](#)

<sup>2</sup> [MFSA Banking Rule 15 available at: https://www.mfsa.mt/wp-content/uploads/2019/02/Banking-Rule-15.pdf](https://www.mfsa.mt/wp-content/uploads/2019/02/Banking-Rule-15.pdf)

<sup>3</sup> Criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) [https://eba.europa.eu/sites/default/documents/files/documents/10180/930752/964fa8c7-6f7c-431a-8c34-82d42d112d91/EBA-GL-2014-10%20\(Guidelines%20on%20O-SIIs%20Assessment\).pdf](https://eba.europa.eu/sites/default/documents/files/documents/10180/930752/964fa8c7-6f7c-431a-8c34-82d42d112d91/EBA-GL-2014-10%20(Guidelines%20on%20O-SIIs%20Assessment).pdf).

<sup>4</sup> CBM-MFSA Policy Document on the revised methodology for the identification of other systemically important institutions (O-SIIs) and the related capital buffer calibration’: <https://www.centralbankmalta.org/systemically-important-institutions>; <https://www.mfsa.mt/wp-content/uploads/2020/01/O-SII-revised-methodology-2020-Policy-Document.pdf>

## 2. O-SII buffer transitory provisions

As stipulated in the 2021 O-SII statement of decision, the Authorities decided to postpone, by one-year, any phasing-in arrangements for institutions building up their O-SII buffer rate. This decision was intended to mitigate the repercussions brought about by the COVID-19 pandemic. As a result, during 2021, institutions were requested to maintain their level of O-SII buffer commensurate with the buffer rate held throughout 2020. Going forward, the Authorities are hereby communicating that the transitory provisions applicable to specific O-SIIs are to resume as from 1 January 2022, in line with the forward guidance provided below.

APS Bank plc, which has been designated as an O-SII for the first time in 2019 and is one of the banks currently subject to phasing-in provisions, is now being requested to resume its O-SII buffer transitory provisions as from 1 January 2022 until reaching its fully-loaded 0.25% O-SII buffer rate in 1 January 2024. The transitory provisions are outlined in table 2 below.

**Table 2: Transitory provisions for the build-up of O-SII buffer for APS Bank plc**

Year	2020	2021	2022	2023	2024
<b>Applicable Buffer Rate</b>	0.0625%	0.0625%	0.125%	0.1875%	0.25%

MDB Group Limited, which registered an increase in its O-SII buffer rate during the 2020 O-SII exercise from 0.50% to 1.00%, is now being requested to start phasing-in the additional 0.50% increase in its O-SII buffer rate over a four-year phasing-in period, starting from 1 January 2022 and ending on 1 January 2025 as per table 3 below.

**Table 3: Transitory provisions for the build-up of O-SII buffer for MDB Group Limited**

Year	2020	2021	2022	2023	2024	2025
<b>Applicable Buffer Rate</b>	0.50%	0.50%	0.625%	0.75%	0.875%	1.00%

Finally, those credit institutions which already hold a fully-loaded O-SII buffer rate and which have not registered any changes to their buffer rate as a result of this year's O-SII iteration (i.e. Bank of Valletta plc and HSBC Bank Malta p.l.c.) are being requested to continue maintaining their fully-loaded O-SII buffer rates during 2022.

The decision on the applicable capital buffer rates for designated O-SIIs to be held during 2022, is to come into force with immediate effect.

**17 January 2022**