

**MFSA**

**MALTA FINANCIAL SERVICES AUTHORITY**

## **CONSULTATION DOCUMENT**

### **CONSULTATION ON THE IMPLEMENTATION OF THREE NEW BANKING RULES ISSUED UNDER THE DEPOSITOR COMPENSATION SCHEME REGULATIONS, S.L. 371.09.**

**[MFSA REF: 10-2016]**

**16th September 2016**

**Closing Date: 30th September 2016**

**Note:** The documents circulated by the MFSA for the purpose of consultation are in draft form and consist of proposals. Accordingly, these proposals are not binding and are subject to changes and revisions following representations received from Licence Holders and other involved parties. It is important that persons involved in the consultation bear these considerations in mind.

## Note for Consultation

### 1. Purpose

The proposed Banking Rules which are being issued for public consultation are a result of the new Depositor Compensation Scheme Regulations (“DCS” “Regulations”), Subsidiary Legislation 371.09, transposing the Recast Directive 2104/49/EU on Deposit Guarantee Schemes (“DGS”).

The Recast Directive introduced a new method of calculating contribution, based on the ‘riskiness’ of each member. The Directive also established the amount of payment commitments allowed by each member in a given year.

The Management Expenses Banking Rule BR/17 is introduced in terms of the DCS Regulations (S.L. 371.09) regulation 26 (3). Banking Rule BR/18 is based on the EBA Guidelines on Methods for Calculating Contributions to deposit guarantee schemes, EBL/GL/2015/10 while Banking Rule BR/19 is based on the EBA Guidelines on Payment Commitments under Directive 2014/49/EU on deposit guarantee schemes, EBA/GL/2015/09.

**A Banking Rule (BR/17)** on ‘Management Expenses Contribution’ under the Depositor Compensation Scheme Regulations (S.L. 371.09), determines the amount of Management Expenses Contribution due by each member in any financial year (“the Management Expenses Banking Rule”). This Rule establishes a method to calculate the amount of contributions to be collected by the Scheme to cover its administrative expenses. The Rule is *only* used if the Scheme does not have enough funds to meet its administrative costs.

**A Banking Rule (BR/18)** on the ‘Risk-Based Method’ and the ‘Compensation Contribution Method’ under the Depositor Compensation Scheme Regulations (S.L. 371.09), lays down a method for determining the degree of risk incurred by members and a method for determining the amount of Compensation Contribution due by each member in each financial year (“the Risked Based Method Banking Rule”). This Rule explains the method chosen and the various steps required in order to calculate the risk incurred by each member and hence the amount which should be paid in contributions.

**A Banking Rule (BR/19)** on ‘Payment Commitments’ under the Depositor Compensation Scheme Regulations (S.L. 371.09) specifies the details on the type of assets which may be accepted as collateral for Payment Commitments and on the modalities used to implement such Payment Commitment. It also provides that the valuation of assets for the Payment Commitment shall be the market value of such assets, determined in accordance with such discounting rules (“the Payment Commitment Banking Rule”). The Rule also establishes the type of eligible assets which are accepted for the payment commitment amount. The Rule gives instructions to members as to how they should pledge assets as payment commitment in case of securities (both local and foreign) as well as cash.

## **2. Consultation and how to respond**

Any feedback on the proposed Banking Rules should reach the MFSA by not later than the 30<sup>th</sup> of September 2016. Please send your responses by e-mail to Mr. Aldo Giordano, Secretary – Compensation Schemes ([AGiordano@mfsa.com.mt](mailto:AGiordano@mfsa.com.mt)).

Any queries or requests for clarification in respect of the draft provisions should be addressed to Dr. Jessica Friggieri ([jfriggieri@compensationschemes.org.mt](mailto:jfriggieri@compensationschemes.org.mt)).