MFSA MALTA FINANCIAL SERVICES AUTHORITY

Media Release

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Banks' Adherence to New EU Requirements is Crucial to Maintain Sector Safe and Robust

To ensure a smooth transition for local banks to comply with the new and amended requirements arising from the Banking package, which was recently adopted by the European Parliament and the Council of the European Union, the MFSA has issued a Dear CEO Letter to banks, outlining its expectations.

This letter emphasises the importance of timely implementation and highlights the Authority's focus on adhering to Basel III standards, as adopted by the EU, for effective risk management practices, which contribute to a sound financial system.

The final agreement on the banking package includes amendments to both the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR). This landmark decision is a crucial step towards strengthening the resilience and stability of the European banking sector. The CRR will come into effect on 1 January 2025, while the CRD must be transposed into local legislation within 18 months from its entry into force. The texts of the CRR and CRD are anticipated to be published in the Official Journal of the European Union in June.

The comprehensive requirements arising from the banking package encompass new regulations on credit risk, market risk, operational risk, and Environmental, Social, and Governance (ESG) risks, which local banks need to adhere to. Additionally, the package sets forth rules for third-country banks operating within the Union, enhanced governance requirements for financial institutions, and expanded supervisory powers.

Catherine Galea, Head of Banking at the MFSA, highlighted the importance of compliance with these new requirements, stating that, "Adhering to the Basel III standards is essential for maintaining the soundness of our financial system. The new requirements will ensure that banks are better equipped to manage risks and contribute to a more stable and resilient financial sector."

MFSA's Chief Officer Supervision Christopher P. Buttigieg emphasised the significance of the banking package in promoting ESG priorities: "This package demonstrates the European authorities' commitment to reducing greenhouse emissions across the Union. By mandating banks to develop and implement robust ESG strategies and risk management frameworks, we are taking significant steps towards a sustainable future."

The MFSA is requesting all banks to conduct and submit a self-assessment of their preparedness for implementing these requirements. The Authority will then evaluate the sector's overall readiness, followed by bilateral discussions with banks to ensure continued progress in implementing the banking package at the local level.

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.