



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

MFSA MALTA
FINANCIAL
SERVICES
AUTHORITY

2025 STATEMENT OF DECISION ON THE IDENTIFICATION OF OTHER
SYSTEMICALLY IMPORTANT INSTITUTIONS AND THE RELATED
CAPITAL BUFFER CALIBRATION

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 and Malta Financial Services Authority Banking Rule 15.^{1,2} 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 Central Bank of Malta 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.³ 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.⁴

1. Identified O-SIIs and effective O-SII buffer rates

Based on the results of the O-SII identification exercise carried out during 2024, the same four credit institutions identified as O-SIIs during the preceding exercise, have been re-confirmed. The table below lists these institutions together with their respective O-SII scores and effective O-SII capital buffer rates. These credit institutions have been 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 effective capital buffer rates

Credit Institution	O-SII score (bps)	Fully-loaded O-SII capital buffer rate
Bank of Valletta plc (BOV)	2,921	2.00%
HSBC Bank Malta plc (HSBC MT)	1,498	1.25%*
MDB Group Limited (MED)	1,374	1.00%**
APS Bank plc (APS)	748	0.50%

*HSBCMT qualifies for the provisions of Article 131(8) of CRD, which results in the capping of HSBCMT’s O-SII buffer to 1.25% (refer to section 1.2 for more details).

** Refer to section 1.1 for considerations in relation to MDB’s O-SII buffer rate.

¹ [Directive No. 11 – Macro-prudential Policy](#)

² <https://www.mfsa.mt/wp-content/uploads/2022/06/BR-15-Capital-Buffers-of-Credit-Institutions-Authorised-Under-the-Banking-Act-1994.pdf>

³ 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).

⁴ 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>

1.1 Considerations on MDB Group Limited

MDB Group Ltd.'s O-SII score is being driven by higher scores in 'complexity' and 'interconnectedness' indicators which are the result of growth in overseas operations of the Group's Belgian subsidiary observed over recent years.

Notwithstanding these developments, the degree of systemic risk to Malta posed by the Group remains adequately covered by a 1.00% O-SII buffer rate for MDB Group Ltd. In view of this, the Authorities have decided to retain MDB Group Ltd. with a 1.00% O-SII buffer rate, to be fully phased-in by 2025 in line with table 3 below. This decision is also in line with the preceding O-SII iteration.

1.2 Considerations on HSBC Bank Malta p.l.c.

HSBC Bank Malta p.l.c. (HSBCMT) is the second largest O-SII in Malta, whose O-SII score derived from the MT O-SII methodology corresponds with a 1.50% O-SII buffer. The Authorities are of the view that this 1.50% O-SII buffer remains the most appropriate level of O-SII capital buffer for HSBCMT to address the level of systemic risks the bank poses to Malta.

Nevertheless, the Authorities' O-SII buffer decisions are also bound by legal provisions embedded in Article 131(8) of Directive 2013/36/EU of the European Parliament and of the Council, as amended by Directive (EU) 2019/878 of the European Parliament and of the Council (CRD V).

Since HSBC Bank Malta plc's (HSBCMT) parent, HSBC Continental Europe (HBCE) is designated as an O-SII by the French Prudential Supervision and Resolution Authority (ACPR), HSBCMT qualifies for the provisions of Article 131(8) of CRD, capping HSBCMT's O-SII buffer to 1.25%.

2. O-SII buffer transitory provisions

APS Bank plc has been designated as an O-SII for the first time as from 2020 and is currently subject to phasing-in provisions of the buffer initially set at 0.25%. As from 2023, APS Bank plc was designated to a higher bucket and requested to phase-in an additional 0.25% O-SII buffer rate over a four-year phase-in period. The bank will therefore reach a fully-loaded O-SII buffer rate of 0.50% on 1 January 2026, as per table 2 below.

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

Year	2022	2023	2024	2025	2026
Applicable Buffer Rate	0.125%	0.25%	0.375%	0.4375%	0.50%

MDB Group Ltd is requested to continue its phasing-in of the 0.50% increase to 1.00% as communicated in the 2021 O-SII statement of decision. The bank is required to reach a fully-loaded buffer rate of 1.00% by 2025 as per table 3 below.

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

Year	2022	2023	2024	2025
Applicable Buffer Rate	0.625%	0.75%	0.875%	1.00%

Finally, Bank of Valletta plc and HSBC Bank Malta p.l.c. are both meeting their fully-loaded O-SII buffers and have not registered any changes to their buffer rate as a result of this year's O-SII iteration. Consequently, both institutions are being requested to continue maintaining their respective fully-loaded O-SII buffer rates during 2025.

The decision on the capital buffer rates for the designated O-SIIs to be held during the year 2025 enters into force as of 1st January 2025.

8 August 2024