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## MFSA Emphasises the Importance of Transparency in Local Banks' Green Products

As the global focus on sustainability intensifies, Malta's financial sector is embarking on green initiatives also when designing new financial products. A recent review by the Malta Financial Services Authority (MFSA) has shed light on the need for greater transparency and consumer protection in the market for Green Financial Products issued by Banks. These products, which include Green Loans and Green Deposits, are designed to support environmentally friendly projects and contribute to the broader goals of the European Green Deal.

The review focused on green or sustainable banking products offered by six local credit institutions to retail clients. The Authority evaluated features such as promotional materials, product attributes and documentation, product approval processes, tariffs of charges and compliance with sustainability criteria.

The MFSA noted several positive practices among local credit institutions, including a growing range of green products to meet market demand, continuous enhancement of green products to align with client expectations, and advantageous interest rates - green loans typically offer lower interest rates than traditional loans, while green term deposits generally offering higher rates than regular deposits, incentivising client uptake of green products.

The review also highlighted the need for credit institutions to provide clearer information to clients about the benefits and features of Green Loans, such as fee waivers, interest rates, and eligibility criteria for green home loans. Emphasis is also being placed on the importance of collecting proper documentation to ensure that loan funds are used for genuinely green purposes.

Commenting on the findings of the review, MFSA's Head of Conduct Supervision Sarah Pulis stated: "Ensuring transparency and consumer protection is paramount in the financial sector. This review highlights the importance of credit institutions providing clear and accurate information to clients when offering Green Loans. We encourage all institutions to review their practices and take necessary steps to align with the Authority's expectations."

The MFSA has communicated the findings of the review to the industry through a "[Dear CEO](#)" letter. In the letter, the Authority set clear expectations for credit institutions offering green products. These include conducting a gap analysis, updating internal processes and procedures, and ensuring that all sustainability-related claims are accurate and verifiable.

## 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.

