

17 December 2024

## Circular to Credit Institutions with the Minimum Requirement of Own Funds and Eligible Liabilities equal to the Loss Absorption Amount

This Circular is addressed to all credit institutions for which the Resolution Committee had determined that the **Minimum Requirement for Own Funds and Eligible Liabilities (MREL) is equal to the Loss Absorption Amount (LAA)**.

On 11 April 2024, the European Parliament and the Council adopted Directive (EU) 2024/1174 (the so called "Daisy Chain Act")<sup>1</sup> amending Regulation (EU) 806/2014 (the "SRMR")<sup>2</sup> and Directive (EU) 2014/59/EU (the "BRRD")<sup>3</sup> as regards certain aspects of MREL. On 22 April 2024, the Daisy Chain Act was published in the Official Journal.

On 15 November 2024, the [Recovery and Resolution \(Amendment No. 2\) Regulations, 2024](#) (the "Amending Regulations") were published in the Government Gazette with the aim of transposing amendments within the Recovery and Resolution Regulations ("RRR") as introduced by the Daisy Chain Act. Amongst a number of changes and for the purposes of this Circular, particular emphasis is placed on the new sub-regulation (2a) being introduced in regulation 45C of the RRR. Apart from introducing the definition of the term "liquidation entities" under regulation 2 of the RRR, the Amending Regulations further provide, that liquidation entities, whether within a resolution group or as standalone entities, will no longer fall within the scope of MREL. Indeed, regulation 45C(2a) has been introduced within the RRR to cater for this new development. There is however an exception to the newly introduced rule. Indeed, the proviso to regulation 45C(2a) allows for a derogation in instances where the Resolution Committee assesses that it is justified to determine the MREL in an amount exceeding the loss absorption amount (LAA) by taking into account, in particular, any possible impact on financial stability and on the risk of contagion to the financial system, including with regard to the financing capacity of the depositor compensation scheme.

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<sup>1</sup> Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities.

<sup>2</sup> Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

<sup>3</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

**Therefore, with effect from Friday 15<sup>th</sup> November 2024, all current MREL Decisions which require the relevant credit institutions to meet MREL that is equal to the LAA, shall no longer apply and are thus being repealed by means of this Circular.**

Any queries in relation to the above should be directed to [resolution.policy@mfsa.mt](mailto:resolution.policy@mfsa.mt).