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## MFSA Finds Most Banks Are Prepared for the New EU Rules

The Malta Financial Services Authority (MFSA) has published an assessment of the level of preparedness among local banks, in view of the amendments to EU banking regulations known as CRR3. This follows an industry-wide survey conducted in 2024, which revealed different levels of readiness among banks and identified key areas that require further attention.

The new rules, which aim to further strengthen financial stability, will affect how risks are managed and accounted for. The MFSA found that most banks are on track to comply, with the majority of local banking sector assets belonging to institutions categorised as either highly or reasonably prepared. However, some institutions still need to do more to meet the new requirements.

The new and amended EU rules pertaining to credit risk, the new operational risk framework, and Environmental, Social, and Governance (ESG) requirements have been singled out as the ones that will impact local credit institutions the most. Particularly, the MFSA expects banks to increase their efforts in ensuring compliance with the new rules to improve their overall identification and risk management.

It has been noted that to prepare for these changes, many banks are investing in staff training to ensure they fully understand the new rules. Based on the results of the survey, 73% of banks have focused on ESG and operational risk training, while others are improving expertise in credit and leverage risk.

Banks are expected to update their internal frameworks, policies and procedures to incorporate the underlying CRR3 changes. The overall goal is to create a more stable financial system, reducing risks for both banks and their customers.

Catherine Galea, Head of Banking Supervision at the MFSA, emphasised the importance of these reforms: *"The findings show that most banks are well-prepared, but some still need to make further improvements. ESG is, of course, a new risk area which banks need to onboard and embrace into their frameworks. Strengthening these areas will ensure a more resilient and responsible financial system that ultimately benefits consumers."*

The MFSA will continue working closely with banks to ensure they meet the new standards and maintain a secure and stable financial system.

For more information on the survey findings, read the "[Dear CEO Letter](#)" sent to all credit institutions.

## 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.

