L.N. 54 of 1993

BANKING ACT
(Cap. 215)

Interest Rates on Loans and Advances Order, 1993

IN exercise of the powers conferred by section 22 of the Banking Act, the Minister of Finance, after consultation with the Central Bank of Malta, has made the following order:

Citation.

1. This Order may be cited as the Interest Rates on Loans and Advances Order, 1993.

Maximum interest rate on Loans and Advances denominated in Maltese liri.

2. The maximum rate of interest that commercial banks or financial institutions may charge on loans and advances denominated in Maltese liri to the categories indicated hereunder shall be as follows:

Category	*Maximum Rates for Loans and Advances including Overdrafts and Other Credit Facilities*
I. Inter-bank lending for Housing	Discount Rate (Note) + 1% p.a.
II. Other lending for Housing for own residential unit up to the first Lm15,000	Discount Rate (Note) + 1.5% p.a.
III. Lending to Priority Sectors comprising Agriculture, Fisheries, Manufacturing, Shiprepair and Shipbuilding, Hotels and other tourist establishments licensed to offer accommodation and Parastatal Organisations ..	Discount Rate (Note) + 3% p.a.
IV. Other lending	Discount Rate (Note) + 3% p.a.

Note: Discount Rate means the Central Bank Minimum Discount Rate in terms of section 17 of the Central Bank of Malta Act as determined and made public by the Bank from time to time:

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Provided that in the case of Category III (Priority Sectors), the maximum rate as shown above shall be reduced by:

(a) 2% per annum if the security covering the full amount of lending is in the form of one or a mix of the following:

(i) Government of Malta guarantees or Government of Malta backed guarantees, or Government of Malta letters of undertaking/commitment;

(ii) First class bank guarantees;

(iii) Cash, time or savings bank deposits;

(iv) Any other type of security which the lending bank may, at its discretion, consider to be equivalent to (i), (ii) and (iii) above;

(b) 1% per annum if the borrower is a limited liability company, providing security covering the full amount of the lending in the form of any one or all of the specified types under (i) to (iv) of (a) above but its paid up capital netted of any accumulated losses being less than 20% of the aggregate credit facilities with the bank and other banks including the requested facilities;

Provided further that, also in the case of Category III (Priority Sectors), when the borrower is a limited liability company providing security other than that specified in (a) of the foregoing proviso, the maximum rate may be reduced by such an amount at the lender's discretion depending on the proportion of the paid up capital and other shareholders' funds in relation to the total facilities the bank or financial institution is granting as well as on the security, if any, which the borrower is providing;

Provided also that, in the case of lending in connection with property development for resale or speculative purposes and in the case of lending under Categories II and IV when Exchange Control permission is required, the relative maximum interest rate may be that under Category IV plus 0.5% per annum.

3. The rates of interest applicable under paragraph 2 of this Order shall become effective as follows:

Dates when interest rates apply.

(i) on loans contracted for before the date of this Order, the terms and conditions applicable shall remain as originally sanctioned by the lender but shall be revised in accordance with this Order on the next anniversary date of the loan;

(ii) on advances and other credit facilities (excluding loans) contracted for before the date of this Order, the terms and conditions applicable shall remain as originally sanctioned by the lender but shall be revised in accordance with this Order on the next renewal date;

(iii) on new loans and advances sanctioned by the lender on or after the date of this Order, immediately on date of sanction.

Maximum interest rate on Loans and Advances denominated in any foreign currency.

4. The maximum interest rate that commercial banks or financial institutions may charge on loans and advances denominated in any foreign currency in respect of any category of lending shall not exceed by more than 5% per annum the prevailing London inter-bank offered rate (LIBOR) applicable at the time of sanction of the loan or advance and/or at such other time/s as may be agreed between the lender and the borrower.

Rates of interest are inclusive of all charges.

5. The rates of interest applicable under paragraphs 2 and 4 of this Order shall be inclusive of any management and/or other administration fee, commission and any other cost howsoever described charged to a customer on a regular basis.

Directives and Guidelines.

6. The Central Bank of Malta is hereby empowered to issue such directives and guidelines as it may deem appropriate for carrying into effect the provisions of this Order.

Repeals L.N. 81 of 1987.

7. Without prejudice to anything lawfully done or omitted to be done thereunder, the Interest Rates on Loans and Advances Order, 1987 is hereby repealed.

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