L.N. 278 of 2025

CENTRAL BANK OF MALTA ACT
(CAP. 204)

Central Bank of Malta (Appointment of Designate Authority to implement Macro-Prudential Instruments) (Amendment) Regulations, 2025

IN EXERCISE of the powers conferred by article 60(2) of the Central Bank of Malta Act, the Minister responsible for finance, after consultation with the Central Bank of Malta, has made the following regulations:-

Citation.

1. The title of these regulations is the Central Bank of Malta (Appointment of Designate Authority to implement Macro-Prudential Instruments) (Amendment) Regulations, 2025 and these regulations shall be read and construed as one with the Central Bank of Malta (Appointment of Designate Authority to implement Macro-Prudential Instruments) Regulations, hereinafter referred to as the "principal regulations".

S.L. 204.06.

Amends regulation 1 of the principal regulations.

2. Sub-regulation (2) of regulation 1 of the principal regulations shall be substituted by the following new sub-regulation:

"(2) The scope of these regulations is to transpose the provisions of Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, hereinafter referred to as "the Directive", and to implement the provisions of Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor, hereinafter referred to as "the Regulation".".

Amends regulation 2 of the principal regulations.

3. Regulation 2 of the principal regulations shall be amended as follows:

(a) sub-regulation (4) thereof shall be substituted by the following new sub-regulation:

"(4) The Minister responsible for finance hereby appoints the Central Bank of Malta, which shall act jointly

with the competent authority, as the designate authority for the purposes of Article 124(8) of the Regulation to periodically, and at least annually, assess whether the risk weights laid down in Articles 125 and 126 of the Regulation for exposures secured by immovable property located in the territory of Malta are appropriately based on:

(a) the loss experience of exposures secured by immovable property; and

(b) forward-looking immovable property markets developments.";

(b) immediately after sub-regulation (4) thereof there shall be added the following new sub-regulations:

"(4a) Where on the basis of the assessment referred to in sub-regulation (4), the Central Bank of Malta, acting jointly with the competent authority, concludes that the risk weights established in Article 125 or 126 of the Regulation do not adequately reflect the actual risks related to exposures to one or more property segments secured by mortgages on residential property or on commercial immovable property located in one or more parts of the territory of Malta, and if it considers that the inadequacy of the risk weights could adversely affect the current or future financial stability of Malta, it may increase the risk weights applicable to those exposures or impose stricter criteria than those established in Article 124 of the Regulation.

(4b) The Central Bank of Malta, acting jointly with the competent authority, shall not increase the risk weights to more than one hundred and fifty per cent (150%) as established in Article 124(9) of the Regulation.

(4c) The Central Bank of Malta, acting jointly with the competent authority, may reduce the percentages of the property value referred to in Article 125(1) or in Article 126(1) of the Regulation, or the exposure-to-value (ETV) percentages that define the ETV risk weight bucket established in Article 125(2) or in Article 126(2) of the Regulation. The Central Bank of Malta, acting jointly with the competent authority, shall ensure consistency across all ETV risk weight buckets, such that the risk weight of a lower ETV risk weight bucket is always lower or equal to the risk weight of an upper ETV risk weight bucket.";

(c) sub-regulation (5) thereof shall be substituted by the following new sub-regulation:

"(5) The Minister responsible for finance hereby appoints the Central Bank of Malta, which shall act jointly with the competent authority as the designate authority for the purposes of Article 164(6) of the Regulation to periodically, and at least annually, assess whether the minimum Loss Given Default (LGD) values, as referred to in Article 164(4) of the Regulation, are appropriate for retail exposures secured by residential property or other retail exposures secured with residential or commercial immovable property located in one or more parts of the territory of Malta, and set higher minimum LGD values for those exposures if these are assessed to be inadequate, and if their inadequacy could adversely affect current or future financial stability in Malta. The said higher minimum LGD values may also be applied at the level of one or more property segments of such exposures.".

Adds new regulation to the principal regulations.

4. Immediately after regulation 2, as amended, there shall be added the following new regulation:

"Interpretation.

3. Words and expressions used in these regulations shall have the same meaning as assigned to them in the Central Bank of Malta Act and in the Regulation.".

Cap. 204.

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