



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

**STATEMENT OF DECISION
ON THE METHODOLOGY FOR THE IDENTIFICATION OF OTHER SYSTEMICALLY IMPORTANT
INSTITUTIONS AND THE RELATED CAPITAL BUFFER CALIBRATION**



1. BACKGROUND

The capital buffer for Other Systemically Important Institutions (O-SII) is aimed at mitigating the vulnerability of the domestic financial system and the real economy to the failure of systemically important institutions. The O-SII buffer consists of a capital surcharge applied to institutions that may, in the event of failure or impairment, have considerable impact on the financial system and the real economy. This additional capital buffer is applied to domestically significant institutions to increase their resilience by increasing their loss absorbing capacity and thus ensuring that they pose minimal risk to the domestic economy. Market failures targeted by the O-SII capital buffer mainly relate to the excessive risk-taking due to the perceived systemic relevance of an individual institution (moral hazard and 'too big to fail').

In 2015, the Malta Financial Services Authority and the Central Bank of Malta (hereunder referred to as the 'Authorities') developed a methodology for the identification of O-SIIs and the related capital calibration.¹ Three banks were identified as O-SIIs. These banks were subject to a capital buffer requirement based on a four year phase-in period.

The Authorities have re-run the methodology for the identification of O-SIIs and the related capital calibration as per Directive 11 para (b), which requires the O-SII buffer to be reviewed at least annually and document such policy.

2. STATEMENT OF DECISION

Based on the methodology featured in the policy document of 2015, the three O-SIIs identified last year are being reconfirmed for 2017.

The table below shows on the basis of which step in the framework these institutions were designated as O-SIIs as well as which buffer rates shall apply². These credit institutions have also been provided with more details on the results of the methodology via a separate communication.

Table 1 – Capital buffer rate based on a stepped framework for O-SII identification

Credit Institution	Determination as O-SII based on Step 1 or 2	Buffer rate
Medifin [Mediterranean Bank]	Step 2	0.5%
HSBC Group Malta	Step 1	1.5%
Bank of Valletta Group	Step 1	2.0%

¹ Malta Financial Services Authority and the Central Bank of Malta (Dec 15): Policy Document On the methodology for the identification of other systemically important institutions and the related capital buffer calibration.

² See Tables 2 and 3 of the policy document for more details.



Given that no changes were registered for the year 2017 compared to the results of last year, these credit institutions shall continue to build their O-SII capital buffer as established in 2015 and indicated in Table 2 of this document.

Table 2 – Transitory provisions for the build-up of O-SII buffer

Credit Institution	2016	2017	2018	2019
Medifin [Mediterranean Bank]	0.125%	0.25%	0.375%	0.5%
HSBC Group Malta	0.375%	0.75%	1.125%	1.5%
Bank of Valletta Group	0.5%	1.0%	1.5%	2.0%

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