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European Systemic Risk Board
European System of Financial Supervision

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# Notification template for Article 131 of the Capital Requirements Directive (CRD) – Other Systemically Important Institutions (O-SIIs)

**Template for notifying the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting or resetting of an O-SII buffer under Article 131(7) CRD and of the identity of O-SIIs under Article 131(12) CRD**

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- notifications@esrb.europa.eu when notifying the ESRB.

The ESRB will forward this notification to the European Commission, to the European Banking Authority (EBA) and to the competent and designated authorities of the Member States concerned without delay and will publicly disclose the names of the O-SIIs on its website. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

<table>
<tr><th colspan="2">1. Notifying national authority</th></tr>
<tr><td>1.1 Name of the notifying authority</td><td>Central Bank of Malta (CBM) and Malta Financial Services Authority (MFSA)</td></tr>
<tr><td>1.2 Country of the notifying authority</td><td>Malta</td></tr>
<tr><th colspan="2">2. Description of the measure</th></tr>
<tr><td>2.1a Institution or group of institutions concerned</td><td>
<table>
<tr><th>Name of institution</th><th>LEI</th><th>Consolidation level</th></tr>
<tr><td>Bank of Valletta plc</td><td>529900RWC8ZYB066JF16</td><td>Highest Consolidation Level</td></tr>
<tr><td>HSBC Bank Malta p.l.c.</td><td>549300X34UUBDEUL1Z91</td><td>Highest Consolidation Level</td></tr>
<tr><td>MDB Group Limited</td><td>213800TC9PZRBHMJW403</td><td>Highest Consolidation Level</td></tr>
<tr><td>APS Bank plc</td><td>213800A1O379I6DMCU10</td><td>Highest Consolidation Level</td></tr>
</table>
</td></tr>
<tr><td>2.1b Changes to the list of institutions concerned</td><td>The same credit institutions identified as O-SIIs during the 2024 O-SII notification round are being re-confirmed as O-SIIs during 2025.</td></tr>
</table>

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions *(OJ L 287, 29.10.2013, p. 63).*
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.



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**2.2 Level of the buffer applied**

| Name of institution | New O-SII buffer | Previous O-SII buffer |
|---|---|---|
| Bank of Valletta plc (BOV) | 2.00% | 2.00% |
| HSBC Bank Malta p.l.c. (HSBC) | 1.50%* | 1.50%* |
| MDB Group Limited (MED) | 1.00% | 1.00% |
| APS Bank plc (APS) | 0.50% | 0.50% |

*Pursuant to a company announcement released on 30 November 2022, , HSBC Continental Europe ('HBCE') has been designated by HSBC Group as its single EU IPU. As a result, HSBCMT, is now owned by the HSBC Group through HBCE as the EU IPU. Being a French O-SII itself, HSBC MT qualifies for the provisions of Article 131(8) of CRD, thereby capping HSBC MT's O-SII buffer to 1.25%.

**2.3 Name of the ultimate EU parent institution**

| Name of identified O-SII | Ultimate EU parent institution | LEI of ultimate parent institution |
|---|---|---|
| HSBC Bank Malta p.l.c (HSBC) | HSBC Continental Europe | F0HUI1NY1AZMJMD8LP67 |

Bank of Valletta plc, MDB Group Limited and APS Bank plc are ultimate parent institutions.

**2.4 Names of subsidiaries**

MDB Group Limited is the holding company of:

1) MeDirect Bank (Malta) plc LEI code: 529900SYUCFQHI3JZQ05
2) MeDirect Bank SA (BE) LEI code: 529900MATKY89NT0U738

The other identified O-SIIs do not own any banking subsidiaries.

## 3. Timing for the measure

**3.1 Timing for the decision**

14/07/2025

**3.2 Timing for publication**

14/08/2025

**3.3 Disclosure**

The communication strategy for 2025 will follow the same process as 2024: notifying the concerned banks of their O-SII status and applicable buffer rate through a dedicated private letter, engaging in bilateral discussions as necessary, and publishing information on the respective Authorities' websites.

**3.4 Timing for application**

01/01/2026

**3.5 Phasing in**

BOV, HSBC and MDB Group have fully phased-in O-SII buffers. APS was designated as an O-SII in 2019 with the minimum buffer rate of 0.25% and was requested to phase-in an additional 0.25% O-SII buffer rate in 2023 over a four-year period to reach a fully loaded O-SII buffer rate of 0.50% on 1 January 2026.

| Name of institution | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| APS Bank plc (APS) | 0.125% | 0.25% | 0.375% | 0.438% | 0.50% |



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| **3.6 Review of the measure** | The O-SII buffer is reviewed annually. |
| **4. Reason for O-SII identification and activation of the O-SII buffer** | |
| **4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs**<br>**(Article 131.3 CRD)** | In line with the current MT O-SII methodology, four credit institutions (i.e. Bank of Valletta plc, HSBC Bank Malta p.l.c., MDB Group Limited and APS Bank plc) were identified as O-SIIs having surpassed the 425 bps threshold, which has been set as a cut-off point (a + 75 bps leeway to the 350bps threshold has been applied, as established in the EBA Guidelines EBA/GL/2014/10).[3] The official scores for the 2025 exercise under the current MT O-SII methodology are highlighted in the table below: |

| Name of institution | Size | Importance | Complexity | Interconnectedness | Overall Score |
|---|---|---|---|---|---|
| Bank of Valletta plc (BOV) | 561 | 1682 | 165 | 341 | **2849** |
| HSBC Bank Malta p.l.c. (HSBC) | 308 | 901 | 99 | 123 | **1431** |
| MDB Group Limited (MED) | 222 | 209 | 493 | 340 | **1264** |
| APS Bank plc (APS) | 182 | 523 | 17 | 74 | **796** |

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|---|---|
| **4.2 Methodology and indicators used for designation of the O-SII**<br>**(Article 131.3)** | In 2019, the Authorities revised the O-SII identification methodology to reflect developments in the domestic financial sector and align more closely with the criteria established in the EBA Guidelines.<br><br>Under the current O-SII methodology, domestic systemically important institutions are identified based on their relative importance within the sector using a set of specific criteria aligned with the EBA Guidelines. To better reflect the distinctive characteristics of the MT banking sector which has a strong focus towards domestic deposits and loans, two additional indicators, i.e. 'private sector deposits from Maltese residents' and 'private sector loans to Maltese residents' were included under the 'importance' criterion.<br>The Maltese banking sector is characterised by a small number of market participants, dominated by a few 'systemically relevant' institutions that are more integrated with, and interlinked to the domestic economy when compared to the rest of the banks within the sector. Most of these 'systemically relevant' banks operate under a 'traditional' retail banking business model. In view of this characteristic, the current methodology has been designed in such a way as to identify these banks as O-SIIs.<br><br>The uniform 25% weight applied to all categories under the EBA methodology does not adequately capture the domestic financial system's characteristics. Consequently, as highlighted in the table below, a relatively higher weight is assigned to the 'importance' and the 'size' categories, with a total weight of 40% and 22% respectively. The Authorities deem these categories as being the most reflective of the specificities of the domestic banking sector's business model, thereby representing the potential channels of systemic risk for the institutions domiciled in MT. Conversely, the 'complexity' and 'interconnectedness' categories are assigned a lower weight of 18% and 20% respectively, to reflect the traditional retail banking business model that characterise most Maltese banks. |

[3] CBM-MFSA Policy Document on the methodology for the identification of other systemically important institutions (O-SIIs) and the related capital buffer calibration.



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| Category | Indicators | Indicator weight | Category weights |
|---|---|---|---|
| **Size** | Total Assets | 22.00% | 22.00% |
| **Importance** | Value of domestic payment transactions | 8.00% | 40.00% |
| | Private sector deposits from depositors in the EU* | 5.50% | |
| | Private sector loans to recipients in the EU** | 5.50% | |
| | Private sector deposits from Maltese residents | 10.50% | |
| | Private sector loans to Maltese residents | 10.50% | |
| **Complexity** | Value of OTC derivatives (notional) | 4.00% | 18.00% |
| | Cross-jurisdictional liabilities | 7.00% | |
| | Cross-jurisdictional claims | 7.00% | |
| **Interconnectedness** | Intra-financial system liabilities | 9.00% | 20.00% |
| | Intra-financial system assets | 9.00% | |
| | Debt securities outstanding | 2.00% | |

* MT deposits are incorporated in 'private sector deposits from depositors in the EU' indicator.
** MT loans are incorporated in 'private sector loans to recipients in the EU' indicator.

**4.3 Supervisory judgement**

No supervisory judgement has been used.

**4.4 Calibrating the O-SII buffer**

A bucketing methodology is being followed as part of the calibration stage based on the scores achieved in the O-SII identification stage in section 4.2:

1. An O-SII can be classified into one of any of the five buckets presented in the table below, depending on the O-SII score obtained with the identification methodology. Bucket 1 contains the lowest capital rate (0.25%) and bucket 5 entails the highest capital buffer rate (2.0%).

2. Intermediate buffer rates of 0.5%, 1.0% and 1.5% are also applicable, thus reinforcing a proportionate and commensurate application of an O-SII surcharge; the higher the potential systemic risk posed by the respective O-SII, the higher the capital buffer rate applied.

3. The overall score obtained in the identification methodology is used to guide on the resulting capital buffer rate as per table below:

| Buckets | Capital Buffer Rate | Score range for each bucket (bps) |
|---|---|---|
| **5** | 2.00% | 1700 ≤ Score |
| **4** | 1.50% | 1200 ≤ Score < 1700 |
| **3** | 1.00% | 830 ≤ Score < 1200 |
| **2** | 0.50% | 580 ≤ Score < 830 |
| **1** | 0.25% | 425 ≤ Score < 580 |

In the 2025 O-SII exercise, MDB Group Ltd. achieved a score of 1264bps, placing it in bucket 4, corresponding to a consolidated O-SII buffer rate of 1.50%

In their assessments, the Authorities also investigate the systemic relevance of credit institutions on a solo basis. To note, that there are typically minor differences in operations and business models between the individual and consolidated operations of

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| | MT banks. In this regard, MDB Group Ltd is an exception, where diverging trends between the parent and its subsidiary are more evident.<br><br>The Belgian subsidiary's operations are significantly larger than those of the MT parent, largely driving MDB Group's relatively high O-SII scores for 'complexity' and 'interconnectedness' and its resulting placement in bucket 4. Upon further analysis, the Belgian subsidiary is not systemically important in Belgium, while on a solo basis, the MT parent is significantly being overstated at consolidated level. Nevertheless, the degree of complexity that the Belgian subsidiary adds to the Group's overall operations should not be overlooked. Based on these considerations, the Authorities have decided to retain MDB Group Ltd. with a 1.00% O-SII buffer rate, which was fully phased-in from January 2025. |
| **4.5 Effectiveness and proportionality of measure** | The domestic banking system is composed of a number of banks which are classified into three categories i.e. (a) core domestic banks; (b) non-core domestic banks and (c) international banks. The core domestic banks' category consists of a set of banks that exhibit relatively stronger links with the domestic economy and are therefore more likely to be classified as systemically important. These banks operate a widespread branch network, provide a full spectrum of banking services and are important providers of credit and deposit takers in MT. All four banking groups identified as O-SIIs fall in this category, three of which are identified as significant for SSM purposes.<br><br>Collectively as at December 2024, the four domestic banking groups classified as O-SIIs account for around 92% of the total assets of the core domestic banks and around 63% of the total banking system assets, indicating the effectiveness and proportionality of the measure. |

| **5. Sufficiency, consistency and non-overlap of the policy response** | |
|---|---|
| **5.1 Sufficiency of the policy response** | The MT O-SII identification framework puts greater weight on those indicators which are considered to reflect the main sources of systemic risk in Malta. Given that the four identified MT O-SIIs cover approx. 92% of the total assets of the core domestic banks, being the bank category that has the more direct link to the domestic economy, the policy is considered as sufficient in terms of coverage. In terms of the applied buffers, the 5-bucket calibration approach is also considered as sufficient as it allows for a commensurate application of the O-SII buffer while being more conservative than the ECB minimum O-SII floors.<br><br>As highlighted in the table below, when comparing the MT O-SII buffers floors with the ECB minimum O-SII floors, the applicable O-SII buffers under the MT O-SII methodology fully respect the ECB floor methodology by resulting in higher applicable O-SII buffer rates for all designated O-SIIs. |

| Identified O-SIIs | Applicable O-SII Buffer | |
|---|---|---|
| | ECB Minimum Floors | MT Methodology |
| APS | 0.25% | 0.50% |
| BOV | 1.00% | 2.00% |
| HSBC | 0.50% | 1.50%* |
| MED | 0.75% | 1.00% |

* Refer to section 2.2 for provisions applicable to HSBC's O-SII buffer



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| **5.2 Consistency of application of the policy response** | As outlined in the CBM-MFSA policy document, the O-SII buffer in MT is designed to contribute towards meeting the intermediate objective of limiting the systemic impact of misaligned incentives also with a view to reducing moral hazard, as specified under paragraph 2(d) of sub-recommendation A of ESRB Recommendation on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1).<br><br>The O-SII buffer is the main instrument used to meet the above specified intermediate objective, and has been consistently in place since 2016, following the transposition of Article 131 of Directive 2013/36/EU, as amended by Directive (EU) 2019/2034 in CBM Directive no. 11 and MFSA Banking Rule no. 15. |
| **5.3 Non-overlap of the policy response** | The O-SII buffer aims to mitigate the excessive risk-taking which domestic systemically important institutions might take owing to their belief that they will be bailed-out as a result of their systemic relevance (moral hazard and 'too big to fail'). In this respect, the O-SII buffer is the main policy in MT to address the 'too big to fail' risk. In view of the fact that 'systemically relevant' MT banks operate under a 'traditional' retail banking business model, a greater weight on the 'importance' (40%) and 'size' (22%) categories is being placed. In this manner, the MT O-SII methodology is calibrated to target the main transmission channels of systemic risk in MT. |
| **6. Cross-border and cross-sector impact of the measure** | |
| **6.1 Assessment of cross-border effects and the likely impact on the Internal Market**<br><br>**(Recommendation ESRB/2015/2[4])** | From the internal market perspective, given the relatively small size of the domestic financial sector vis-à-vis its European counterparts, no impact is expected to materialise as a result of the domestic O-SII buffer. |
| **6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State** | The buffers are set at the highest level of consolidation in MT. This avoids the possibility that institutions shift their business activities within the group, whether domestically or elsewhere. |
| **7. Combinations and interactions with other measures** | |
| **7.1 Combinations between G-SII and O-SII buffers**<br><br>**(Article 131.14)** | Not applicable since there are no G-SIIs in MT. |
| **7.2 Combinations with systemic risk buffers (SyRBs)**<br><br>**(Article 131.15 CRD)** | Not applicable since no MT institution is currently subject to a systemic risk buffer (SyRB) designed to address the risks covered by the O-SII buffer. |
| **7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)** | In view of the completion of the corporate restructuring process for HSBC Group to comply with Article 21b CRD, HSBC Continental Europe is the EU parent of HSBC Bank Malta p.l.c. HSBC Continental Europe is also subject to a 0.25% O-SII buffer in France and given the provisions outlined in Art 131 (8) of the CRD, the maximum O-SII buffer rate applicable to HSBC Bank Malta p.l.c. is capped at 1.25% (see section 2.2). |

[4] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).



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| 8. Miscellaneous | |
|---|---|
| **8.1Contact person(s)/mailbox at notifying authority** | Contact person(s) for further inquiries (name, phone number and e-mail address):<br>Mr. Alan Cassar<br>Chief Officer Financial Stability and Statistics<br>Central Bank of Malta<br>E-mail: cassara@centralbankmalta.org<br><br>Mr. Mirko Mallia<br>Head Financial Stability<br>Malta Financial Services Authority<br>E-mail: mirko.mallia@mfsa.mt |
| **8.2 Any other relevant information** | N/A |
| **8.3 Date of the notification** | 30/06/2025 |