Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB)and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) 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]);
- DARWIN/ASTRA when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. 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.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Central Bank of Malta
1.2 Country of the notifying authority	Malta
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? ☐ Activate a new SyRB ☐ Change the level of an existing SyRB ☒ Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) ☐ De-activate an existing SyRB ☐ Reset an existing SyRB (review)

[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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure

2.1 Institutions covered by the intended SyRB

Please indicate whether the SyRB applies to:

☒ All institutions authorised in the Member State

☐ One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered)

Name of institution	LEI code	Consolidation level

☒ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries)

Name of subsidiary	Name of the parent	LEI code of the subsidiary
HSBC Bank Malta p.l.c.	HSBC Continental Europe	549300X34UUBDEUL1Z91

If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions.

2.2 Exposures covered by the SyRB

(Article 133(5) CRD)

Please indicate the exposures to which the SyRB applies:

☐ (a) all exposures located in the Member State that is setting the buffer;

☒ (b) the following sectoral exposures located in the Member State that is setting the buffer:

(i) ☒ all retail exposures to natural persons that are secured by residential property;
(ii) ☒ all exposures to legal persons that are secured by mortgages on commercial immovable property;
(iii) ☐ all exposures to legal persons excluding those specified in point (ii);
(iv) ☐ all exposures to natural persons excluding those specified in point (i);

☐ (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3;

☐ (d) all exposures located in other Member States;

☐ (e) exposures located in third countries.

The sectoral systemic risk buffer in Malta applies on all exposures secured by immovable property.

2.3 Subsets of sectoral exposures

Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:

- The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB:

Dimensions/subdimensions	Elements
1. Type of debtor or counterparty sector	
1.a Economic activity	
2. Type of exposure	
2.a Risk profile	
3. Type of collateral	
3.a Geographical area	

- Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account:
  (i) size
  (ii) riskiness
  (iii) interconnectedness.

- Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted? Not applicable, as the sSyRB is set at the level of a sector in Malta as indicated in point 2.2(b)
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2.4 Exposures located in other Member States and in third countries

If the systemic risk buffer applies to exposures located in other Member States or third countries (see points 2.2(d) and (e)), please include the names of those countries.

Not applicable, as the sSyRB is set at the level of a sector as indicated in point 2.2 (b) and does not apply to exposures located in other Member States or third countries.

2.5 Buffer rate

(Article 133(9)(e) CRD)

Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.

Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.

Exposures	**New SyRB rate**		**Previous SyRB rate**	
	All institutions (SyRB rate)	**Set of institutions** (range of SyRB rates)	**All institutions** (SyRB rate)	**Set of institutions** (range of SyRB rates)
(a) All exposures located in the Member State that is setting the buffer	%	% - %		
(b) *The following sectoral exposures located in the Member State that is setting the buffer:*				
(i) All retail exposures to natural persons that are secured by residential property	1.5%	% - %	1.5%	

(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property	1.5%	% - %		
(iii) All exposures to legal persons excluding those specified in point (ii)	%	% - %		
(iv) All exposures to natural persons excluding those specified in point (i)	%	% - %		
(c) All exposures located in other Member States	%	% - %		
(e) Exposures located in third countries	%	% - %		
(f) *Subsets of any of the sectoral exposures identified in point (b):*				
(i) Please specify the subset [Dimension/subdimensions]	%	% - %		

If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.

Not applicable as the same sectoral SyRB rate applies to all credit institutions subject to this measure.

Set of institutions				
Exposures	**Name of institution**	**LEI code**	**New SyRB rate**	**Previous SyRB rate**
			%	
			%	
			%	

3. Timing for the measure

3.1 Timing for the decision	What is the date of the official decision? For SSM countries when notifying the ECB: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken. 01/12/2025
3.2 Timing for publication	What is the proposed date of publication of the notified measure? 24/01/2026
3.3 Disclosure	Information about the strategy for communicating the notified measure to the market. Do you also intend to publish the justification for the SyRB? If not, why do you consider that publication could jeopardise the stability of the financial system? The decision will be published on the Central Bank of Malta’s website where a statement of decision will be issued outlining the systemic risk buffer rate; the scope of the measure; justification for implementation and date of application. The market participants were informed about the intended measure through a consultation where they could forward any related questions or comments.
3.4 Timing for application	What is the intended date of application of the measure? 30/06/2026

3.5 Phasing in	What is the intended timeline for phase-in of the measure (if applicable)? Not applicable as there will be no phasing-in of the buffer rate. The scope of the measure is to extend the exposure level to cover all real estate related activities, but the rate remains the same at 1.5%.
3.6 Review/deactivation of the measure	Until when will the measure presumably be in place? What are the conditions for its deactivation? On what indicators would the decision be based? Please specify whether you intend to review the measure before the maximum period of two years foreseen in Article 133(8)(b) CRD. The review of the measure will take place at least every two years as per the provisions of CRDVI and as transposed in CBM Directive No.11. In addition, regular review of the underlying risks being addressed by the sectoral SyRB will continue to take place, which in turn will assess the adequacy or otherwise of the buffer. As a result, if deemed necessary, the sectoral SyRB might be reviewed before the stipulated period of two years.
4. Reasons for the notified SyRB	
4.1 Description of the macroprudential or systemic risk in your Member State **(Article 133(9)(a) of the CRD)**	Where applicable, please classify the risks targeted by the notified SyRB under the following categories: (i) risks stemming from the structural characteristics of the banking sector - Size and concentration of banks - Ownership structure - Other structural risks (ii) risks stemming from the propagation and amplification of shocks within the financial system - Exposure concentration/asset commonality The Sectoral systemic risk buffer is intended to address prevailing and emerging risks to the real estate market, stemming also from increased concentration of the financial industry to this sector. Loans collateralised by both residential and commercial property will be in scope of the policy tool - Commonality in bank business models - Financial interconnections and contagion (iii) risks to the banking system stemming from either the real economy or specific sectors - Economic openness - Sectoral risks from the private non-financial sector, households and the public sector The systemic risk to be addressed emanates from both the household sector as well as the non-financial corporates sector. The Bank's semi-structural credit gap is positive and rising, indicating medium risk levels but approaching the high-risk threshold. The credit gap, which can be decomposed into the household and firm credit, has illustrated that the credit gap has been driven mostly by household credit over the past few years. However, in the more recent quarters, credit to firms has also contributed to the widening gap, meaning that credit growth has exceeded historical norms.

	(iv) Other risks Please specify: - Whether these risks are widespread across the whole financial sector? - Or whether they are concentrated only in one or more subsets of the sector? The intended measure aims to address systemic risk stemming from the exposure of the domestic banking system to the real estate market, including property that is both residential and commercial in nature. Apart from concentration to the real estate sector, which is a structural phenomenon, the sector is characterised by continued rapid growth of housing credit and growth in house prices. In particular, resident annual mortgage remained strong, averaging 9.6% over the last five years. Similarly, NFC lending to property related loans, which includes construction, real estate and accommodation, stood at an average of 7.5%. In contrast, other NFC lending grew on average by just 2%. Such lending dynamics have affected the structure of the banks' resident loan portfolio, with the share of mortgages, construction, real estate, and accommodation increasing by 5 percentage points in 5 years to 73% of the resident loan book.
4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State **(Article 133(9)(b) CRD)**	Reasons why the macroprudential or systemic risks threaten financial stability and justifying the systemic risk buffer rate. The persistently high growth rates in real estate lending are increasing the vulnerability of households and NFCs via higher exposure to the market. Adding this to the collateral portfolio of banks, which is predominantly property-related, any adverse developments in the real estate market both directly and indirectly could lead to significant losses incurred by banks and thus threaten the stability of the financial system. The policy rate was calibrated on the basis of banks' loss absorption capacity against an adverse shock to house prices. The impact on capital arising from the potential decline in collateral value and a related increase in loan loss provisions were assessed against the loss absorption capacity that would be required, hence the calibration of the buffer rate at 1.5%.
4.3 Indicators used for activation of the measure	Provide the indicators triggering activation of the measured. When notifying the ECB, please provide the data on which the decision is based, if possible (preferably in an Excel file). The main indicators triggering the activation of the measure include the below: • Annual growth in resident mortgage lending • Share of resident property related loans ~~mortgage lending~~ on overall resident loans • Household/NFC debt-to-financial assets • Household/NFC debt-to-GDP • Household debt-to-disposable income • Annual growth in property prices • Advertised property price-to-per capita income ratio • House price misalignment index • MT Cyclical Systemic Risk Indicator (cSRI) • Bank's semi-structural credit gap • Sectoral credit gaps based on Hamilton Filter
4.4 Effectiveness and proportionality of the measure **(Article 133(9)(c) CRD)**	Explanation why the draft measures are deemed likely to be effective and proportionate to mitigate the risk. E.g. how will the effectiveness of the measure be assessed? Based on which indicators? What are the expected transmission mechanisms?

	The extension of the sectoral SyRB is aimed at enhancing the loss absorption capacity of those banks involved in the financing of real estate, thus equipping banks to better address the risks outlined in section 4.1 above. As mentioned in section 4.2 above, the calibration of the buffer is based on a house price stress test that would occur in an adverse scenario, which shocks are already applied on banks' collateral values. The effectiveness of the measure can be assessed using the same indicators listed under section 4.3 and their evolvement over time. In view of this, the measure is considered to be effective in reducing the prevailing risks in Malta.
4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD **(Article 133(9)(f) CRD)**	Where the systemic risk buffer rate applies to all exposures, please justify why the authority considers that the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD. Not applicable since this measure does not apply to all exposures but a subset of exposures listed under 2.2(b). Moreover, the O-SII buffer is designed to internalize the costs that a systemically important institution would propagate on the system if it failed whilst the sectoral SyRB is there to address banks' exposures and vulnerability to specific sectors. Therefore, there is no duplication in the functioning of both buffers.
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	For a macroprudential policy to be 'sufficient', the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy. Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member States. Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response. Given its targeted nature, there are no foreseen negative impacts on other sectors. Furthermore, this capital-based measure will complement the BBMs in place in MT comprising of LTV-O, stressed DSTI-O and maturity limits which help to contain further systemic risks arising from new loans backed by real estate related collateral. In view of this, the Central Bank of Malta deems that the buffer proposal is fully sufficient to address the relevant risks within the real estate sector.
5.2 Consistency of application of the policy response	For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives as outlined in ESRB/2013/1[3] and must be implemented in accordance with the common principles set out in the relevant legal texts. Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time. Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response.

[3] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

	The Central bank of Malta deems that the extension of the measure would continue to address two main intermediate objectives as recommended by the ESRB in the Recommendation ESRB/2013/1, i.e., of mitigating and preventing excessive credit growth and leverage, and limiting direct and indirect exposure concentration. Furthermore, the proposed measure is deemed to be the most suitable measure in addressing the current prevailing risks in Malta which are of a targeted nature and stem mainly from the real estate sector. Having the sSyRB in place, acting as a releasable buffer strengthens the resilience of banks to adverse movements in the real estate market. The Central Bank will continue to assess the risk and whether this policy is still appropriate and if necessary, amend the policy response accordingly
5.3 Non-overlap of the policy response	For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs to the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk. - Are other policy instruments used to address the <u>same</u> systemic risk? - If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other. There are currently no other policy instruments that are being used to address the same systemic risk. The proposed measure would act as a complement to the domestically implemented borrower-based measures incorporating LTV-O, stressed DSTI-O and maturity limits. The enacted borrower-based measures are applicable to flows (rather than stock) and aim to strengthen the resilience of lenders and borrowers against the potential build-up of vulnerabilities which could result in financial losses both to lenders and borrowers that might emanate from potential unfavorable economic developments. On the other hand, the sectoral SyRB is effective on both the stock and flow of loans and operates with immediate effect through different channels
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 **(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2[4])**	Assessment of the cross-border effects of implementation of the measure. a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the

[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).

	Banking Sector[5] and the Framework to assess cross-border spillover effects of macroprudential policies of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used. b. Assessment of the: ○ cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers); ○ cross-border effects on other Member States and on the Single Market of the measure (outward spillovers); ○ overall impact on the Single Market of implementation of the measure. Not applicable since there are no foreseen cross-border effects of the measure and the aim is to target the domestic sector only as explain in section 6.2 below.
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)? Is there scope for "leakages and regulatory arbitrage" in other jurisdictions? Credit institutions domiciled in Malta issue the vast majority of their real estate related loans to households and corporates in Malta, and as such is the risk of leakages to other jurisdictions and regulatory arbitrage are very limited.
6.3 Request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD? Choose an item. - If yes, please provide in Section 6.4. the justification for that reciprocity. - If no, what are the reasons for not requesting reciprocation? No – The Central Bank of Malta is not requesting reciprocity of this extension given that the share of loans emanating from outside the territory of Malta is negligible. The Bank reserves the right to review this stance in the event that exposures outside of Malta start to increase.
6.4 Justification for the request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	To request reciprocation, please provide the following: - a concise description of the measure to be reciprocated; - the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness; - the proposed materiality threshold and justification for that level. If the ESRB deems the request for reciprocation to be justified, the description provided will form the basis for translation into all EU official languages for the purposes of an update of Recommendation ESRB/2015/2. Not applicable as per section 6.3.
7. Combination of the SyRB with other buffers	

[5] Available on the ESRB's website at www.esrb.europa.eu.

<table>
<tr><td>7.1 Combination with G-SII and/or O-SII buffers
(Article 131(15) CRD)</td><td>Is the sum of the systemic risk buffer rate and the higher of the O-SII/G-SII buffer rates to which the same institution is subject above 5%?
Please provide a list of the institutions subject to a G-SII or an O-SII buffer, indicating the G-SII or O-SII buffer and the sum of the G-SII/O-SII and SyRB buffers (a combined buffer rate of over 5% requires authorisation by the Commission).
The sum of the systemic risk buffer rate and the O-SII buffer rate does not exceed 5%. The O-SII buffer rates listed in the table below consist of the fully phased-in rates which are currently applicable to MT institutions as per the latest O-SII exercise held in 2024.
<table>
<tr><th>Name of institution</th><th>G-SII/O-SII buffer rate</th><th>O-SII consolidation level</th><th>Sum of G-SII/O-SII and SyRB rates</th></tr>
<tr><td>Bank of Valletta plc</td><td>2%</td><td>Highest level of consolidation</td><td>3.5%</td></tr>
<tr><td>HSBC Bank Malta p.l.c</td><td>1.25%</td><td>Highest level of consolidation</td><td>2.75%</td></tr>
<tr><td>MBD Group Limited</td><td>1%</td><td>Highest level of consolidation</td><td>2.5%</td></tr>
<tr><td>APS Bank plc</td><td>0.50%</td><td>Highest level of consolidation</td><td>2%</td></tr>
<tr><td></td><td>%</td><td></td><td>%</td></tr>
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</td></tr>
<tr><td>7.2 Combination with other systemic risk buffers
(Article 133(11) and (12) CRD)</td><td>Indicate all sets or subsets of exposures that would be subject to one or more systemic risk buffers with a combined systemic risk buffer rate in the ranges below:
- above 3% and up to 5%
- above 5%
Indicate whether any subsidiaries of a parent in another EU Member State would be subject to a combined systemic risk buffer rate above 3%
Not applicable as per section 7.1.</td></tr>
<tr><td colspan="2">8. Miscellaneous</td></tr>
<tr><td>8.1 Contact person(s)/mailbox at notifying authority</td><td>Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries.
Mr Alan Cassar – Chief Officer Financial Stability & Statistics
cassara@centralbankmalta.org
Ms Christine Balzan – Head Macroprudential Policy, Stress Testing and Research Department
balzanc@centralbankmalta.org</td></tr>
<tr><td>8.2 Any other relevant information</td><td>Not applicable</td></tr>
<tr><td>8.3 Date of the notification</td><td>Please provide the date on which this notification was uploaded/sent.
24/12/2025</td></tr>
</table>