

Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- notifications@esrb.europa.eu when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure¹.

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order 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 borrower-based measure	<p>Please select one of the measures listed below:</p> <p><input checked="" type="checkbox"/> Debt-service-to-income (DSTI)</p> <p><input type="checkbox"/> Loan-to-income (LTI)</p> <p><input type="checkbox"/> Loan-to-value (LTV)</p> <p><input type="checkbox"/> Debt-to-income (DTI)</p> <p><input type="checkbox"/> Loan maturity</p> <p><input type="checkbox"/> Other (please provide a short, name-like description here and provide more details in Section 2)</p> <p>The measure is a Debt Service Coverage Ratio (DSCR) which essentially is the reciprocal of the Debt-Service-to-income (DSTI) ratio.</p>

¹ 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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

1.4	Type of notification	<p>What do you intend to notify?</p> <p><input type="checkbox"/> Activation of a new measure</p> <p><input checked="" type="checkbox"/> Change to an existing measure</p> <p><input type="checkbox"/> Extension of an existing measure</p> <p><input type="checkbox"/> Termination of an existing measure</p>
2. Description of the measure		
2.1	Description of the measure	<p>Provide a detailed description of the measure, including:</p> <ul style="list-style-type: none"> - The nature and value(s) of the restrictions imposed by the measure, as applicable. If the measure varies depending on certain characteristics of the loan or borrower, please specify all such cases. - Whether exceptions from the measure are allowed. If so, please specify the nature and size(s) of the exceptions, as applicable. <p>A distinct stressed debt service limit is being applied to legal persons engaged in RRE lending. A stressed Debt Service Coverage Ratio at Origination (sDSCR-O) of 1.3x, equivalent to a stressed Debt-Service-to-Income at Origination (sDSTI-O) limit of around 77% is being applied specifically to legal persons engaged in RRE lending including Buy-to-Let (BTL), which is also subject to the current interest rate shock of 150 basis points. The sDSTI-O of 40% still applies to natural persons falling under the definitions of Category I borrowers and Category II borrowers, as outlined in CBM Directive No.16.</p>
2.2	Definition of the measure	<p>Please provide a detailed definition of each variable used in the construction of the indicator which is subject to the restrictions, as applicable (e.g. define what constitutes the value of the loan (L) and what counts towards valuation of the collateral (V) for an LTV indicator).</p> <p>Please include:</p> <ul style="list-style-type: none"> a) Value of the loan/debt (for loan/debt-to-income), or value of the loan/debt instalments (for loan/debt service-to-income indicators) - What types of loans are included?

		<p>b) Value of the collateral</p> <ul style="list-style-type: none"> - What type of collateral can be included? <p>c) Income</p> <ul style="list-style-type: none"> - Is it gross or net income? What types of incomes are considered? If average income is considered, how long is the period considered? <p>A sDSCR-O limit of 1.3x, subject to an interest rate shock of 150 basis points, shall apply to legal persons engaged in RRE lending including BTL. The interest rate shock shall be subject to market conditions and may be reviewed and adjusted from time to time.</p> <p>The sDSCR-O limit shall be calculated as follows:</p> $\text{DSCR-O}_{\text{stressed}} = \frac{\text{net operating income for legal persons}}{\text{Annual total debt service} \Delta r_{\text{stressed}}}$ <p>$\Delta r_{\text{stressed}} = +150 \text{ bp}$</p> <p>For the purposes of calculating net operating income in respect of BTL residential real estate loans, lenders shall take into account rental income that is contractually due or reasonably expected, provided that such income is assessed on a prudent and conservative basis in accordance with the lender's internal credit risk management policies.</p>
2.3	Legal basis and process of implementation of the measure	<p>Specify the legal basis and process of implementation of the measure. Please include:</p> <ul style="list-style-type: none"> - how the notified measure is implemented; - whether or not the notified measure is legally binding (e.g. a recommendation); <ul style="list-style-type: none"> o if the measure is non-legally binding, please provide the reasons why this choice was made and provide details of the means by which compliance with this measure can be fostered. <p>As the macroprudential authority, the Central Bank of Malta formulates and implements macroprudential policy through a range of tools aimed at preventing the build-up and mitigating systemic financial risks, in line with its macroprudential policy strategy. The Bank is empowered</p>

		<p>to issue directives in order to implement such tools via Article 17A of the Central Bank of Malta Act (Cap. 204).</p> <p>The notified measure is legally binding and will be implemented through CBM Directive No.16 relating to the regulation of Borrower-Based Measures in Malta, which has been in force since July 2019.</p>
2.4	Coverage	<p>a. Which types of credit providers will be covered by the measure?</p> <p>e.g. credit institutions (including local branches of foreign credit providers), certain other financial institutions (e.g. pension funds, insurance companies, investment funds), etc.</p> <p>Please specify whether coverage of the measure is limited based on the type of activity of the credit provider, e.g. to mortgage credit providers.</p> <p>CBM Directive 16 is applicable to all lenders granting domestic RRE loans and targets both natural and legal persons engaged in new RRE loans, i.e. mortgage loans secured by RRE collateral including for BTL purposes. The refinement of the measure is targeting only legal persons engaged in RRE lending, whilst the currently applicable sDSTI-O of 40% to natural persons falling under the definitions of Category I and Category II borrowers, remains unchanged. The extent of loans to this category of borrowers currently represents around 1.36% of the total value of loans issued for RRE lending.</p> <hr/> <p>b. Which types of borrowers will be covered by the measure?</p> <p>e.g. only natural persons, only legal entities, both natural persons and legal entities, etc.</p> <p>refer to above reply.</p> <hr/> <p>c. Which types of lending will be covered by the measure?</p> <p>e.g. mortgage loans, consumer loans that are provided to consumers with a mortgage, consumer loans, debt securities issued and overall debt of non-financial companies, etc.</p> <p>refer to above reply.</p>

2.5	Calibration	<p>Provide information on how the measure was calibrated, including the main assumptions used therefor.</p> <p>The calibration of the measure was informed by a comprehensive assessment of various factors. A key consideration was the distinct nature of legal persons.</p> <p>Under the previous Directive 16, which imposed a uniform 40% limit on both natural and legal persons, many legal entities were unable to secure adequate financing for real estate investments. Recognizing the unique characteristics and financing needs of legal persons, the Central Bank of Malta refined the measure specifically for legal entities engaged in RRE lending. This approach aims to strike a balance between minimizing market undue interference and preserving financial stability, while ensuring the continued solvency of borrowers.</p> <p>The 1.3x sDSCR-O ratio was selected as a balanced threshold based on the following assumptions:</p> <ol style="list-style-type: none"> 1. Post-credit payment obligations are primarily limited to tax, depreciation, and amortisation with the latter being non-cash expenses. 2. The measure incorporates stress testing to account for potential interest rate shocks. 3. Income streams are subject to conservative haircuts to reflect prudent risk management.
3. Timing for the measure		
3.1	Timing for the decision	<p>What is the date of the official decision of the notified measure?</p> <p>26/03/2026</p>
3.2	Timing for publication	<p>What is the date of publication of the notified measure?</p> <p>26/03/2026</p>

3.3	Disclosure	The Central Bank of Malta announced the amendment to its Directive No.16 on Borrower-Based Measures on the Central Bank website on 26 th March 2026. A consultation process was launched on 23 rd January 2026, where interested parties were invited to submit any written feedback on the proposed Directive until 20 th February 2026.
3.4	Timing for the application	What is the intended date for application of the measure? What is the intended timeline for phase-in of the measure, if relevant? 26/03/2026
3.5	End date (if applicable)	Until when is it presumed that the measure will be in place? If applicable, please give an end date. No end date foreseen.
4. Reason for activation of the measure		
4.1	Description of the macroprudential risk	Describe the macroprudential risk to be addressed by the proposed macroprudential measure. The adjustment of the debt service limit for legal persons is not the result of a change in the assessment of risks, but more a result of the recognition of the unique nature of this segment of borrowers, which warrant different treatment. The aim is to achieve a balance between minimising undue market interference and preserving financial stability.
4.2	Indicators used for activation of the measure	Provide the indicators triggering activation of the measure. Provide the data on which the decision is based if possible (preferably in an Excel file). There are no changes to the indicators currently used to activate the measure. The Central Bank of Malta conducts regular analyses of the distributions of the Loan-to-Value at Origination (LTV-O) ratio, DSTI-O ratio, and loan maturity term. This analysis is segmented by borrower category and is based on quarterly submissions of the ESRB Residential Real Estate (RRE) data template.

4.3	Effects of the measure	<p>Provide your assessment of the effects of the measure on your domestic banking system, other parts of the financial system, the real economy and financial stability in your country.</p> <p>Following the update to the measure, the Central Bank of Malta will be in a position to address more effectively any future unfavourable developments.</p> <p>The Central Bank of Malta will continue monitoring any developments in the real-estate market. Lenders are required to assess their compliance with the regulation annually by the internal auditor of the reporting lender, and by an external auditor at the end of the financial year of every third year. This without prejudice to on-site and off-site inspection by the MFSA and that the Central Bank may request a report by the external auditor subject to its discretion to carry out its functions under the Act and under any other applicable legislation.</p> <p>In case of breaches of this Directive, the Bank has the right to impose sanctions in accordance with Article 56 of the Act and the provisions of Directive No 12 on Administrative Measures and Penalties for Infringement under the Central Bank of Malta Act.</p>
5. Sufficiency, consistency and non-overlap of the policy response		
5.1	Sufficiency of the policy response	<p>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.</p> <p>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 State.</p> <p>Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response.</p>

		<p>The measure is deemed sufficient as it provides a balance in safeguarding financial stability while at the same time minimising interference with the market, also drawing from other countries' experiences.</p>
5.2	Consistency of application of the policy response	<p>For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives, as outlined in ESRB/2013/1², and they must be implemented in accordance with the common principles set out in the relevant legal texts.</p> <p>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.</p> <p>Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response.</p> <p>The Central bank of Malta deems that the application of a sDSCR-O measure for legal persons engaged in RRE lending is consistent with one of the intermediate objectives as recommended by the ESRB in the Recommendation ESRB/2013/1, i.e., of mitigating and preventing excessive credit growth and leverage.</p> <p>The Central Bank of Malta will regularly assess whether the policy package is still appropriate and if deemed necessary, amend the policy response accordingly.</p>
5.3	Non-overlap of the policy response	<p>For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs from the</p>

² 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).

		<p>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.</p> <ul style="list-style-type: none"> - 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. <p>As previously outlined, the adjustment to the current sDSTI-O limit for legal entities does not stem from a reassessment of underlying risks. Rather, it reflects an acknowledgment of the distinct characteristics of this borrower segment, which merit differentiated regulatory treatment. The objective is to strike an appropriate balance between mitigating undue market interference and safeguarding financial stability.</p> <p>This measure forms part of a broader framework of borrower-based measures, which also includes limits on LTV-O, sDSTI-O to natural persons, and loan maturity. These BBMs apply to new lending flows rather than existing loan stock and are designed to enhance the resilience of both lenders and borrowers against the potential accumulation of vulnerabilities that could lead to financial losses in the event of adverse economic developments.</p> <p>In addition, these limits complement the sectoral systemic risk buffer (SyRB), which has recently been extended to cover all domestic exposures secured by immovable property. Unlike the BBMs, the SyRB applies to both the stock and flow of loans and takes immediate effect through various transmission channels.</p>
<p>6. Cross-border and cross-sector impact of the measure</p>		

6.1	<p>Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2³)</p>	<p>Assessment of the cross-border effects of implementation of the measure.</p> <p>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 Banking Sector⁴ 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.</p> <p>b. Assessment of the:</p> <ul style="list-style-type: none"> ○ 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. <p>The measure is applicable to new RRE loans granted by domestic lenders for property within the domestic territory. The volume of cross-border mortgage lending is very limited. At this juncture, no cross-border effects are expected.</p>
6.2	<p>Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>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)?</p> <p>Is there scope for "leakages and regulatory arbitrage" in other jurisdictions?</p> <p>Although the potential for any regulatory arbitrage and leakages is very minimal, the sDSCR-O measure will apply to all domestic lenders involved in RRE lending. Therefore, non-banks involved in RRE lending will also be subject to the conditions stipulated in the Directive.</p>

³ 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).

⁴ Available on the ESRB's website at www.esrb.europa.eu.

6.3	Request for reciprocation	<p>Do you intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure?</p> <p>Choose an item.</p> <ul style="list-style-type: none"> - If yes, please provide in Section 6.4 the justification for that reciprocity. - If no, what are the reasons for not requesting reciprocation? <p>The Central Bank of Malta is not requesting reciprocity given the non-identification of any cross-border leakages. Indeed, 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.</p>
6.4	Justification for the request for reciprocation	<p>To request reciprocation, please provide the following:</p> <ol style="list-style-type: none"> a. a concise description of the measure to be reciprocated; b. the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness; c. the proposed materiality threshold and justification for that level. <p>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 ESRB Recommendation 2015/2.</p> <p>N/A.</p>
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	Ms Christine Balzan [balzanc@centralbankmalta.org]
7.2	Any other relevant information	N/A.

7.3	Date of the notification	Please provide the date on which this notification was uploaded/sent. 27/03/2026
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