

Circular to Credit Institutions on the disclosure of the Institution-Specific Countercyclical Capital Buffer in terms of Article 440 of Regulation (EU) No 575/2013

The Authority would like to draw the attention of licenced entities on the publication in the Official Journal of the European Union of the **Commission Delegated Regulation (EU) 2015/1555 of 29 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440** [hereinafter referred to as ‘Commission Delegated Regulation’]. The Commission Delegated Regulation may be accessed through the following [link](#).

The Commission Delegated Regulation, which is directly applicable, outlines the requirement to maintain an institution-specific countercyclical capital buffer as well as the calculation method and the disclosure obligations. It came into force on 9 October 2015 and will be applicable in all Member States with effect from 1 January 2016.

The Commission Delegated Regulation is further supplemented by Annex 1 - “Standard Format for Disclosure of Information in relation the compliance of institutions with the requirement for a countercyclical capital buffer” which provides two templates namely:

- Table 1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer; and
- Table 2: Amount of institution-specific countercyclical capital buffer.

Annex II provides the instructions for disclosure in the aforementioned two tables.

The use of uniform templates will ensure consistent and comparable disclosure of the amounts used to calculate the countercyclical capital buffer and of the amount of the said institution-specific countercyclical capital buffer itself. Furthermore, it will also facilitate the geographical comparison of the amounts used to calculate the countercyclical capital buffer.

The Authority wishes to draw the attention of licenced entities that since the countercyclical capital buffer is calculated on a **quarterly basis**, the disclosure of information will refer to the information on the countercyclical capital buffer from the last available quarter. As such, the following two representative hypothetical scenarios are brought to the attention of licenced entities:

Hypothetical Scenario 1: Institution A having financial year ending in December. Since the countercyclical capital buffer requirement will apply in Malta with effect from 1 January 2016, the first disclosure will take place in 2017, in conjunction with the date of publication of financial statements for 2016. Furthermore, it will refer to the information relating to the compliance of the credit institution with the requirements applicable in relation to the countercyclical capital buffer in the last available quarter – Q4 2016 for a financial year ending in December.

Hypothetical Scenario 2: Institution B having financial year ending in June. Since the countercyclical capital buffer requirement will apply in Malta with effect from 1 January 2016, the first disclosure will take place in June 2016, in conjunction with the date of publication of financial statements for 2015-2016. Moreover, it will refer to the information relating to the compliance of the credit institution with the requirements applicable to the countercyclical capital buffer in the last available quarter – Q2 2016 for a financial year ending in June.

The Authority further clarifies that significant subsidiaries of EU parent institutions/financial holdings, and subsidiaries that are of material significance for their local markets should disclose this information on an individual or sub-consolidated basis, in accordance with Article 13 of Regulation (EU) No 575/2013 [‘CRR’]. In this regard reference should be made to paragraph 24 of [Banking Rule BR/07](#) - Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994 which provides that *“for the purposes of Article 13 of the CRR, unless as may be otherwise specified by the authority, a local credit institution which is a subsidiary of an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company shall be deemed to be significant.”*

Any queries can be addressed to the Regulatory Development Unit on rdu@mfsa.com.mt

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1st December 2015