

# MFSA

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## MALTA FINANCIAL SERVICES AUTHORITY

### **Notification in respect of procurement of third party assistance**

In preparation of the European Central Bank (ECB) assuming full responsibility for the supervision of significant banks as part of the Single Supervisory Mechanism (SSM) and in terms of 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, the Malta Financial Services Authority (MFSA), under the auspices of the ECB, carried out, in 2014, a Comprehensive Assessment (CA) over three local banks, these being Bank of Valletta plc, HSBC Bank Malta plc and Deutsche Bank Malta Ltd, which, pursuant to the Decision of the European Central Bank of 4 February 2014 identifying the credit institutions that are subject to the comprehensive assessment (ECB/2014/3), were designated as significant by the ECB.

Following the entry into force of the SSM on 4<sup>th</sup> November 2014, the ECB, in collaboration with the MFSA, has determined that a similar exercise is to be carried out at Mediterranean Bank plc (the bank) in view of the envisaged change in status of the said bank to a significant bank, which would result in the ECB exercising direct supervision on the bank in terms of the SSM Framework Regulation (Regulation 468/2014 of 16<sup>th</sup> April 2014). As a result, the MFSA is seeking to appoint qualified persons/entities for the purpose of carrying out an Asset Quality Review (AQR) at the bank as part of the above-mentioned CA.

Accordingly, the MFSA invites interested parties who could provide both auditors and appraisers to submit proposals regarding the tasks, detailing the information outlined in the *Request for Proposal for Asset Quality Review: Banking Book Audit and Real Estate Appraisal* as published on the MFSA website.

The purpose of the AQR is to enhance the transparency of the bank's exposures by reviewing the quality of its assets, including the adequacy of asset and collateral valuation and related provisions. The support of qualified persons/entities is anticipated in a number of key areas related to the auditing and appraisal of in-scope assets of the bank, following relevant portfolio selection by the MFSA as endorsed by the ECB. The AQR, in the form of a risk-based, targeted exercise, will include an analysis of the bank's data on the relevant credit and securities portfolios and the review of applicable risk processes.

Qualified persons/entities are invited to submit their proposal by not later than **17.00 hours of 17th April 2015**. Following this date, the MFSA may open a process of questions and answers (Q&A) in which the applicants may be requested to amend part of their proposals or to provide additional information. The tentative date for this Q&A will be the **27th April 2015**. The final decision, based on the criteria stipulated in the documentation uploaded on the MFSA's website, will be communicated to the applicants and the general public by not later than **30th April 2015**. The selected candidate will be appointed as inspector in terms of Article 22 of the Banking Act 1994 (Chapter 371 of the Laws of Malta).

The deadline for the completion of the AQR shall be established by the ECB in due course. The selected candidate shall be required to complete the AQR within the deadline set by the ECB.

The MFSA reserves the right not to appoint any of the applicants, and to re-issue the *Request for Proposal for Asset Quality Review: Banking Book Audit and Real Estate Appraisal*, should this be deemed necessary. Submission of proposals in sealed envelopes marked "Confidential" should be addressed for the attention of the **National Project Management Office c/o Banking Supervision Unit, Malta Financial Services Authority, Notabile Road, Attard, BKR 3000, Malta**.