



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

CENTRAL BANK OF MALTA

DIRECTIVE NO 18

in terms of the

CENTRAL BANK OF MALTA ACT (CAP. 204)

**On Moratoria on Credit Facilities in Exceptional
Circumstances**

Ref: CBM/18

DIRECTIVE NO 18
REGULATION ON MORATORIA ON CREDIT
FACILITIES IN EXCEPTIONAL
CIRCUMSTANCES

Issued on 13 April 2020 and amended on 23 April 2020

OBJECTIVE OF THE DIRECTIVE

1. In terms of L.N. 142 of 2020, the Minister responsible for public health, with the concurrence of and in consultation with the Minister for Finance and Financial Services; the Superintendent of Public Health and the Malta Financial Services Authority, the Central Bank of Malta has been empowered to issue a Directive to regulate the Moratorium on Credit Facilities in Exceptional Circumstances referred to in the said L.N.
2. The objective of this directive is to implement the provisions of regulation 6 of L.N 142 of 2020 ‘Moratorium on Credit Facilities in Exceptional Circumstances Regulations’ for the eligibility criteria of borrowers seeking a moratorium on credit facilities.

SCOPE AND APPLICATION

3. Credit and financial institutions shall grant a moratorium on capital and interest, unless the borrower decides to continue to pay the relevant interest, applicable to all credit facilities advanced by a credit or financial institution established in Malta to borrowers that have been materially affected by the COVID-19 outbreak, subject to the eligibility criteria set out in this Directive.

DEFINITIONS

4. The following definitions shall apply for the purposes of this Directive:
 - a) **“Borrower”** means a natural and/or a legal person/s, who is granted a credit facility by a credit or financial institution;
 - b) **“Credit facility”** means the lending of a sum of money by way of an advance, overdraft, or loan, or any other line of credit including discounting of bills of exchange and promissory notes, guarantees, indemnities, acceptances and bills of exchange endorsed *pour aval*; credit cards are excluded from this directive;
 - c) **“Credit institution”** shall have the same meaning assigned to it in Article 2 of the Banking Act and includes any branch, agency or office in Malta of a bank or credit institution not incorporated in Malta;
 - d) **“Debt”** means the total committed secured and unsecured borrowing by a borrower;

- e) “**Financial institution**” shall have the same meaning assigned to it in Article 2 of the Financial Institutions Act (*Cap. 376 of the Laws of Malta*);
- f) “**MFSA**” means the Malta Financial Services Authority as established by Article 3 of [Malta Financial Services Authority Act](#) (*Cap. 330 of the Laws of Malta*);
- g) “**Minister**” means the Minister responsible for public health;
- h) “**Moratorium**” means deferral of payments of capital and interest from credit facilities granted by credit and financial institutions.

Unless otherwise defined in this Directive, terms used in this Directive shall have the same meaning as are assigned to them under the Central Bank of Malta Act.

ELIGIBLE APPLICANTS

- 5. Eligible applicants are all retail and non-retail clients including non-financial corporates, micro, small and medium sized enterprises, self-employed, persons in employment and households, with a credit facility who were not in arrears and were meeting fully their commitments prior to 1 March 2020.

ELIGIBILITY CRITERIA

- 6. In order to be eligible for the moratorium, persons listed under Article 5 of this Directive must meet the following criteria:
 - a. not be in a forbearance arrangement or, if it is the case, have met all terms and conditions agreed upon with their credit or financial institution;
 - b. not be in arrears with the repayment of credit facility;
- 7. Applicants shall be eligible for the moratorium if, based on sufficient evidence, acceptable to their respective credit or financial institution, they can prove that their income has been or will be materially affected by the COVID-19 outbreak in such a way that adhering to the credit facility repayment commitment of both capital and/or interest in part or in full is temporarily materially impaired.
- 8. Credit and financial institutions shall treat applications on a case-by-case basis subject to Articles 5, 6 and 7 of this Directive.

EXCLUSIONS

- 9. Notwithstanding the provisions of the preceding Articles, credit facilities classified as non-performing or forborne in line with Article 47a (3) and Article 47 b (2) of Regulation (EU) No. 575/2013 (CRR) by the granting credit or financial institution, as at 29 February 2020, shall not be eligible for the moratorium.

10. Credit facilities advanced to other credit or financial institutions shall not be eligible for the moratorium regulated by this Directive.

11. Moratoria granted prior to the date of L.N. 142 shall be excluded from eligibility under this Directive. However, this does not preclude borrowers from re-negotiating the conditions of moratoria agreed prior to the date of L.N. 142 in line with the conditions stipulated under this Directive.

CLASSIFICATION UNDER THE DEFINITION OF FORBEARANCE

12. In line with European banking Authority guidance, credit and financial institutions should not automatically classify exposures of successful applicants for moratoria under this Directive under the definition of forbearance in accordance with Article 47b of Regulation (EU) No. 575/2013 or treat a moratorium under this Directive as distressed restructuring in accordance with Article 178(3)(d) of that Regulation. Consequently, the application of this moratorium in itself should not lead to reclassification of the exposure as forborne unless an exposure has already been classified as forborne as at 29 February 2020.

13. Moratoria granted prior to the date of L.N. 142, arising from the effects of COVID-19, shall be treated in the same way as per article 12 of this directive for the purpose of classification under the definition of forbearance.

DOCUMENTATION AND NOTIFICATIONS

14. Credit and financial institutions should collect and have readily available, as a minimum, all of the following information:

- a. clear identification of the exposures or borrowers for which the moratorium was offered;
- b. clear identification of the exposures or borrowers to which the moratorium was applied;
- c. the date on which the moratorium was applied to each borrower;
- d. the amounts which were suspended or postponed because of the application of the moratorium;
- e. any economic loss resulting from the application of the moratorium on individual exposures and the potential impact on financial statements of credit and financial institutions.

OTHER CONDITIONS

15. It is clarified that the application of the moratorium is not obligatory for borrowers. Applications are to be submitted on a voluntary basis and forwarded to the respective credit or financial institutions, at any time until 30 June 2020, unless the Minister for public health, in consultation with the Minister for Finance and Financial Services, decides to extend the duration of the application period.

16. Credit and financial institutions shall take all necessary measures to inform applicants on the decision on the application for the moratorium within 10 working days. The six-month moratoria period will start with effect from the date of approval of the application.

17. The moratorium changes only the schedule of payments, whereby the duration of the credit facility shall be extended according to the length of the moratorium period.
18. No capitalisation (compounding) of deferred interest shall occur throughout the period of the moratorium. The accrued interest shall be spread evenly over the remaining duration of the modified term of the loan after the end of the moratorium period.
19. The credit or financial institution and the borrower may agree to spread the accrued interest referred to in the preceding paragraph on a straight line basis (i.e. divided equally) over the remaining duration of the modified term of the loan after the end of the moratorium period, unless the arrangements for the repayment of the deferred interest due are agreed upon between them, as long as no compounding on the deferred interest is applied.
20. The suspended capital and/or interest payments during the period of the moratorium on a credit facility to natural persons for the purchase of real estate, consumer and other personal credit, shall be spread evenly throughout the remaining term of such credit facility after the end of the moratorium period in cases where the existing duration of the credit facility coincides with the retirement age of the applicant.
21. The moratorium shall not affect other conditions of the credit facility, in particular the interest rate.
22. Credit and financial institutions shall not levy any fees or charges on applicants for the moratorium.
23. Credit and financial institutions shall ensure that applicants are aware of the conditions of the moratorium.
24. The moratorium does not apply to new credit facilities sanctioned after the publication date of L.N. 142 and any new credit facility shall follow the practices of the credit or financial institutions based on the assessment of the creditworthiness of the borrowers.

FINAL PROVISIONS

25. This Directive shall enter into force on 13 April 2020.