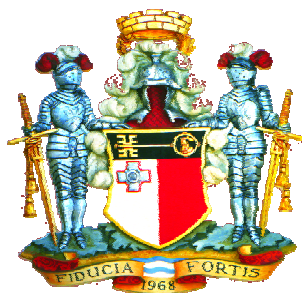


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**CENTRAL BANK OF MALTA**

**DIRECTIVE NO 1**

*in terms of the*

**CENTRAL BANK OF MALTA ACT  
(CAP. 204)**

**MINIMUM RESERVE REQUIREMENTS**

*Ref: CBM/01*

# DIRECTIVE NO 1

## MINIMUM RESERVE REQUIREMENTS

Issued on 1 October 2002

Amended on: 8 January 2004, 1 October 2004, 21 July 2005, 1 September 2005, 14 October 2005, 13 January 2006, 19 June 2006, 15 October 2006, 6 February 2007, 4 April 2007 and XX July 2007  
~~Amended on: 8 January 2004, 1 October 2004, 21 July 2005, 1 September 2005, 14 October 2005 and 13 January 2006~~

### INTRODUCTION

1. In terms of article 37 (1) of the Central Bank of Malta Act (*Cap. 204*) (hereinafter referred to as “the Act”), the Central Bank of Malta (hereinafter referred to as “the Bank”) has been empowered to determine minimum reserve requirements and to issue directives in respect thereof. For the purpose of this Directive, terms used in this Directive shall have the same meaning as is assigned to them under the Act.
2. This Directive on minimum reserve requirements imposed on credit institutions provides the Bank with a monetary policy tool with the aim of controlling monetary growth. This requirement makes use of the averaging provisions, thereby contributing to stability of money market interest rates.

### SCOPE OF APPLICATION

3. This Directive shall apply to all credit institutions authorised to carry on the business of banking in Malta in terms of the Banking Act (*Cap. 371*) unless an exemption is obtained in accordance with the provisions of paragraphs 10 to 14.

### DEFINITIONS

4. In this Directive, unless the context otherwise requires –

“averaging provision” shall mean the average of end-of-calendar-day balances on the credit institutions’ settlement accounts over a one-month maintenance period as specified in paragraph 9 below;

“Council” shall mean the Monetary Policy Advisory Council of the Bank established under article 17 of the Act;

“maintenance period” shall mean a period of one month, starting on the fifteenth calendar day of each month and ending on the fourteenth calendar day of the following month;

“minimum reserve requirements” shall mean the minimum reserve deposits which credit institutions are required to maintain at the Bank;

“reserve base” refers to the aggregation of specified liabilities of credit institutions, on the basis of which the minimum reserve requirement is computed;

January-July 2006/2007

“reserve requirement ratio” refers to the percentage of the reserve base which credit institutions are required to hold in a settlement account at the Bank;

“settlement account” shall mean an account at the Bank used to hold reserve deposits and other funds to settle transactions among, *inter alia*, credit institutions and, or with the Bank;

## **DETERMINATION OF MINIMUM RESERVES**

5. Subject to paragraphs 6 to 9 below, credit institutions shall maintain reserve deposits with the Bank by virtue of the application of the reserve requirement ratio computed on their respective reserve base.

5A. The level of minimum reserve requirements for each maintenance period shall be calculated on the basis of the reserve base referring to the calendar month two months before the maintenance period begins.

6. The minimum reserve requirements shall be maintained in the Maltese lira. Credit institutions may, in agreement with the Bank, maintain these reserve requirements in the same currency as that of their share capital in the event that such currency is not the Maltese lira.

7. The reserve base of credit institutions for the purpose of determining reserve requirements under paragraph 5 is constituted by the category of liabilities specified under Appendix I to this Directive as defined in Banking Rule 06 issued in terms of the Banking Act (Cap. 371).

8. The reserve requirement ratio is determined by the Governor after taking into consideration the advice of the Council. Changes in the reserve requirement ratio shall be announced at least one week in advance of the first maintenance period for which the change is effective.

9. The amount of minimum reserve requirements to be held with the Bank in the settlement account by credit institutions shall be determined in relation to their reserve base. Credit institutions may withdraw from their reserve deposits provided that, at the end of the maintenance period, the average of the daily closing balance on the settlement account for the whole maintenance period is not below the minimum reserve requirement set by the Bank for the respective period.

## **EXEMPTION FROM MINIMUM RESERVE REQUIREMENTS**

10. The Bank may exempt the following credit institutions from maintaining minimum reserve requirements on a non-discriminatory basis:

(a) credit institutions which are subject to winding up proceedings or which are undergoing reorganisation proceedings;

(b) credit institutions upon which the imposition of minimum reserve requirements would not serve to meet the Bank’s purposes with regards to its monetary policy objectives.

11. A credit institution seeking an exemption under paragraph 10 shall request such exemption in writing to the Bank giving reasons and details in support of this claim.
12. Exemptions under paragraph 10 shall be granted for a period of one year or parts thereof and shall be renewable for further periods of one year or parts thereof at the request of the credit institution concerned in accordance with paragraph 11.
13. Credit institutions that are granted an exemption shall immediately inform the Bank if the circumstances under which the exemption was granted have changed. The Bank reserves the right to withdraw the exemption at any time if, in its opinion and irrespective of whether or not it has been informed by the credit institution, such circumstances have changed.
14. The Bank shall publish a list of credit institutions that are subject to the maintenance of minimum reserve requirements and a list of credit institutions that, for reasons other than winding up proceedings or reorganisation procedures, have been granted an exemption. The lists are indicative for credit institutions whose liabilities are owed to other credit institutions in measuring their reserve base for the purposes of this Directive but should not be construed as determining whether credit institutions are subject to the maintenance of minimum reserve requirements in accordance with this Directive. The lists shall be annexed to this Directive.

## **REMUNERATION OF RESERVE DEPOSITS**

15. Deposits of required reserves may be remunerated at an interest rate that is equivalent to the Bank's official rate (Central Intervention Rate) less a margin. In the case where the reserve deposits are maintained in a currency other than the Maltese lira in accordance with paragraph 6 of this Directive, the rate of remuneration shall be the relevant official rate of that currency less a margin. These margins are expressed in basis points as shall be determined and notified to credit institutions by the Bank from time to time.
16. Deposits exceeding the minimum reserve requirements are not remunerated.
17. The remuneration is paid on the first business day following the end of the maintenance period over which the remuneration was earned. Such remuneration shall be credited in the credit institutions' settlement account held with the Bank.

## **SUBMISSION OF RETURNS**

18. Credit institutions shall submit to the Bank [a return with comprising the information specified in Appendix I](#) ~~the return specified in Appendix I~~ to this Directive by the twelfth calendar day of each month. In the event that the twelfth calendar day of the month falls on a weekend or on a public holiday, the said return shall be submitted on the Bank's preceding business day.

## **NON-COMPLIANCE WITH MINIMUM RESERVE REQUIREMENTS**

19. Non-compliance with the minimum reserve requirements shall arise if a credit institution's average end-of-calendar-day balance in its settlement account over the maintenance period is less than its minimum reserve requirement for the corresponding maintenance period.
20. Where a credit institution fails to hold all or part of the minimum reserve requirement imposed in accordance with this Directive or decisions associated herewith, the Bank may impose an administrative penalty in terms of regulations which may be issued by the Minister under the provisions of article 52A (3) (a) (i) of the Act.

## **INTERPRETATION**

21. Requests for interpretation of matters relating to this Directive and the [Appendix Appendices](#) thereto are to be addressed to the Bank.

## **ENTRY INTO EFFECT**

22. [Paragraphs 5A and Appendices I & II to this Directive shall enter into force on 15 July 2007.](#)

## CENTRAL BANK OF MALTA



**DEPOSIT LIABILITIES RESERVE BASE FOR THE PURPOSES OF ARTICLE 3  
OF THE CENTRAL BANK OF MALTA ACT (Cap. 204)**

**Deposits**

- Overnight deposits
- Deposits with agreed maturity up to 2 years
- Deposits with agreed maturity over 2 years
- Deposits redeemable at notice up to 2 years
- Deposits redeemable at notice over 2 years
- Repos

**Debt securities issued**

- Debt securities with agreed maturity up to 2 years
- Debt securities with agreed maturity over 2 years

**Liabilities excluded from the reserve base**

- Liabilities vis-à-vis other institutions already subject to the maintenance of minimum reserve requirements in terms of this Directive
- Liabilities vis-à-vis the Bank

Annex—RDR

REPORTING CURRENCY

*Maltese Lira*

Analysis of RESERVE BASE  
In terms of CBM Directive No 1

REPORTING INSTITUTION:  
DESIGNATED CODE:

\_\_\_\_\_

\_\_\_\_\_

RETURN FOR MONTH ENDING:

\_\_\_\_\_

Amount '000s

Residents' deposits ( <i>other than from credit institutions</i> )	1	_____
Non-residents' deposits ( <i>other than from credit institutions</i> )	2	_____
Other repayable funds	3	_____
Deposits due to credit institutions	4	_____
Deposits due to financial institutions	5	_____
Other borrowed money	6	_____
Subordinated loan capital	7	_____
Debt securities issued	8	_____
Inter-branch transactions	9	_____

Less Uncleared Effects

10

**RESERVE BASE**

11

Exchange Rate as at end of month (if applicable)

12

**RESERVE BASE** in Foreign Currency (if applicable)

13

**Memorandum Items:**

~~Other repayable funds due to credit institutions in Malta already subject to RDR~~

1

~~Deposits due to credit institutions in Malta already subject to RDR~~

2

~~Other borrowed money from credit institutions in Malta already subject to RDR~~

3

~~Subordinated loan capital held by credit institutions in Malta already subject to RDR~~

4

~~Vostro accounts of non-resident correspondent banks that are maintained as working balances~~

5

~~Debt securities issued and held by credit institutions in Malta already subject to RDR~~

6

\* Denotes Currency Exchange Rate

In the event of query the Central Bank of Malta may contact (block letters please):

Mr/Mrs \_\_\_\_\_ Tel No \_\_\_\_\_ Ext \_\_\_\_\_

Signature/s of authorised official/s of reporting institution

Date

## **EXPLANATORY NOTES**

***[ALL DATA ARE TO BE REPORTED GROSS. ELIGIBLE DEDUCTIONS AS INDICATED WILL BE DEDUCTED AUTOMATICALLY]***

### **1.Residents' Deposits**

Report total deposits held by resident customers whether denominated in Maltese lira or foreign currencies (including external Maltese lira) not reported under items 4 or 5 below.

### **2.Non-Residents' Deposits**

Report total deposits held by non-resident customers denominated in foreign currencies (including external Maltese lira) not reported under items 4 or 5 below.

### **3.Other Repayable Funds**

Report other repayable funds raised by the reporting credit institution in terms of the Banking Act (*Cap. 371*) and taken up by the public or other institutions (exclude the Central Bank of Malta).

### **4.Deposits due to Credit Institutions**

Report amounts owed to credit institutions in Malta and overseas, including overdrawn nostro accounts.

### **5.Deposits due to Financial Institutions**

Report amounts owed to financial institutions in Malta and overseas.

### **6.Other Borrowed Money**

Report any other borrowed money from institutions in Malta and overseas.

### **7.Subordinated Loan Capital**

Report outstanding subordinated loan capital.

### **8.Debt Securities Issued**

Report the amount of bonds or other debt securities issued by the reporting institution.

### **9.Inter-branch Transactions**

Report net inter-branch transaction balances.

Add if net balance is in credit or deduct if net balance is in debit.



## **10. Uncleared Effects**

Deduct uncleared effects in course of collection.

## **11. RESERVE BASE (Maltese Lira)**

Sum of items 1 to 8, item 9 as applicable, less item 10.

## **12. Rate of Exchange**

— The rate of exchange (which is only applicable if minimum reserve requirements are held in a currency other than the Maltese lira) is the end of month rate used by the credit institutions in the submission of the statutory returns under Banking Directive BD/06.

## **13. RESERVE BASE (Foreign Currency)**

— Result of item 11 divided by item 12.

## **MEMORANDA ITEMS**

Items 1 to 6 under Memoranda Items denote the *Eligible Deductions* which will be automatically deducted from the relative gross data reported.

- i. — Amounts owed to credit institutions in Malta, which are subject to Reserve Deposit Requirements in respect of other repayable funds, other borrowed money, subordinated loan capital and debt securities issued are to be reported as memoranda items and will be deducted from the calculation of the Reserve Base.
- ii. — Vostro accounts of non resident correspondent banks that are maintained as working balances are to be reported as memoranda items and will be deducted from the calculation of the Reserve Base.

**CENTRAL BANK OF MALTA**



**LIST OF CREDIT INSTITUTIONS  
SUBJECT TO THE MAINTENANCE OF  
MINIMUM RESERVE REQUIREMENTS**

**(Published in terms of Paragraph 14)**

APS BANK LTD  
AKBANK T.A.S. – MALTA BRANCH  
BANIF BANK (MALTA) PLC  
BANK OF VALLETTA PLC  
BAWAG MALTA BANK LTD  
COMMBANK EUROPE LTD  
CREDIT EUROPE N.V. – MALTA BRANCH  
ERSTE BANK (MALTA) LTD  
FIMBANK PLC  
FINANSBANK (MALTA) LTD  
FORTIS BANK MALTA LTD  
HSBC BANK MALTA PLC  
INVESTKREDIT INTERNATIONAL BANK PLC  
IZOLA BANK LTD  
LOMBARD BANK MALTA PLC  
MEDITERRANEAN BANK PLC  
RAIFFEISEN MALTA BANK PLC  
SPARKASSE BANK MALTA PLC  
TURKIYE GARANTI BANKASI A.S. – MALTA BRANCH  
VOLKSBANK MALTA LTD