



GOVERNMENT OF MALTA

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Government response to the Consultation on the introduction of a proposed Directive on Borrower-Based Measures under the Central Bank of Malta Act (Cap. 204), following a recommendation by the Joint Financial Stability Board

*28th November 2018*

*Ministry for Finance  
30, Maison Demandols, South Street, Valletta VLT 1102*

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# Executive Summary

## Introduction and overview

1. A brief introduction about the subject.

*Real estate represents a major part of household wealth and constitutes a major source of collateral for lenders. Housing construction is an important component of the real economy - a source of employment, investment and growth. The continued growth in bank mortgage lending and demand for properties may however result in potential macro-financial imbalances. Owing to this, the robust momentum in the residential real estate market warrants the introduction of pre-emptive regulatory measures.*

*The deployment of macroprudential limits on mortgages in the form of borrower-based measures will enhance the resilience of banks and household balance sheets to possible house price corrections and interest rate reversals. By setting Loan-to-Value-at-Origination (LTV-O), stressed Debt-Service-to-Income at origination (DSTI-O) and loan to maturity limits, the Central Bank of Malta seeks to promote financial stability and ensure that both banks and households are protected.*

2. The public consultation date.  
Include the objective and purpose of the public consultation.

*The public consultation date was from 1 October 2018 till 24 October.*

*The objective is to continue strengthening the resilience of banks and borrowers against the potential build-up of vulnerabilities stemming from changing economic conditions.*

3. This consultation sought views on:

*The proposed Directive on Borrower Based Measures*

## Responses to the consultation and process used to seek stakeholder views

This document is the Government Response to this consultation and sets out the Government's decisions on these matters.

4. The closing date of the public consultation. Which methods were used to receive the feedback.  
The total amount of responses. From whom you received the feedback.

*The consultation closed on 24 October 2018. The consultation document was available on the CBM website and responses were accepted both electronically and by post.*

*In total, there were 4 responses. These were received from the industry.*

5. Include (if any) meetings with stakeholders and list who the stakeholders were.

*To-dateno meetings took place. Bilateral meetings are expected to be held with the Industry in the near future..*

## Summary of responses and decisions

The following is a summary of the consultation responses received. We would like to thank all those who took the time to respond to the consultation and participate in stakeholder meetings around the consultation exercise.

6. Statistics.

- Total feedback received: 4
- Total feedback received by individuals: 0
- Total feedback received by organisations: 4
- Total feedback received through email: 4<sup>1</sup>
- Total feedback received through online form: 0
- Total feedback received by post: 4

7. Summary of feedback received.

*Comments mainly related to fine tuning and request for clarifications. None of the respondents opposed the draft Directive.*

8. Your assessment and the Government's decision (list the Government's decisions).

*The comments are being reviewed by the CBM and the MFSA for possible consideration in the revised draft Directive prior for final submission to the Joint Financial Stability Board for eventual approval of the measure by the Governor of th CBM as per CBM Act Article 8 para 2a.*

## Implementation

9. When you intend to implement the decisions

*Subject to approval by the JFSB approval and the notifictaion process of the ECB and ESRB, Directive is expected to be implemented by end 2018/Q1 2019*

<sup>1</sup> Feedback was submitted online by email and by post in hard copy.

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## Contact Details

If you have any questions regarding this response, please contact: Mr. Stephen Attard,  
attards@centralbankmalta.org

## Annex A: List of respondents

<b>Organisation</b>
Bank of Valletta
FCM Bank
Yapi Kredit Bank Malta
Malta Bankers Association