

The Central Bank of Malta & the Malta Financial Services Authority Establish a Joint Financial Stability Board

On the 25th January a Memorandum of Understanding (MoU) was signed between the Central Bank of Malta (CBM) and the Malta Financial Services Authority (MFSA) on the basis of the recommendations of the European Systemic Risk Board (ESRB) establishing a Joint Financial Stability Board (JFSB). The JFSB was set up in order to facilitate cooperation between the relevant authorities on matters impacting financial stability, including macro-prudential policy, and has as its scope the strengthening of the resilience of the financial system and the decreasing of the build-up of systemic risks, in order to ensure a sustainable contribution of the financial sector to economic growth.

The Deputy Governor of the CBM is to chair the board of the JFSB, which shall consist of up to two senior officials of the CBM and up to two senior officials of the MFSA and the JFSB is to convene at least once every quarter. The main functions of the JFSB include, inter alia, to:

- a. Identify, monitor and assess risks to financial stability;
- b. Identify relevant macro-prudential tools to mitigate such risks;
- c. Assess whether relevant macro-prudential tools have cross-border implications;
- d. Discuss possible designations of financial institutions and structures that are systemically relevant in Malta and outline the perimeter of regulation;
- e. Propose public statements with respect to macro-prudential policy decisions and their motivations as may be necessary; and
- f. Follow-up on recommendations or warnings from the ESRB and any other matters of a macro-prudential nature that may need to be communicated by the CBM, the MFSA and the Government to the ESRB and/or any other authorities as necessary.

The JFSB is to regulate its own procedure and it is to discuss and adopt policy recommendations by means of consensus. Where no consensus is achieved, a simple majority of the members is sufficient to adopt a policy recommendation. The MoU designates the Board of Directors of the CBM to deal with recommendations of a macro-prudential nature, while recommendations of a micro-prudential nature are to be considered for adoption by the Board of Governors of the MFSA.

The MoU establishing the Joint Financial Stability Board, can be accessed on http://www.centralbankmalta.org/updates/Downloads/pdfs/mou_JFSB.pdf