

2 April 2020

Circular to Credit Institutions on Dividend Distributions or Share Buybacks

Further to the [EBA statement](#) and the [ECB Banking Supervision Press Release](#) published on 12 March 2020 on actions to mitigate the impact of COVID-19 on the EU banking sector, the MFSA has taken into consideration the [EBA statement on dividend distributions or share buybacks](#) issued on 31 March 2020 and the [ECB Recommendation on dividend distributions during the COVID-19 pandemic](#) (ECB/2020/19) dated 27 March 2020.

The ECB is recommending that credit institutions conserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID-19. To this end, capital resources to support the real economy and absorb losses should take priority at present over discretionary dividend distributions and share buybacks. Therefore, the ECB considers it appropriate that the significant credit institutions refrain from making dividend distributions and performing share buybacks aimed at remunerating shareholders during the period of the COVID-19 related economic shock. Given the exceptional circumstances, Recommendation (ECB/2020/1) of the ECB is repealed. In order to maximize the support to the real economy, it is also considered appropriate that discretionary dividend distributions should also not be made by less significant credit institutions.

The MFSA is hereby announcing that Recommendation ECB/2020/19 of the ECB shall apply in its entirety to all credit institutions licensed in terms of the Banking Act (Chapter 371 of the Laws of Malta), from today and at least until 01 October 2020. The MFSA will continue to follow the ECB's recommendations, whilst further evaluating the economic situation, and consider whether further suspension of dividends is advisable after such date.