

Concluding Remarks by Mr. David Pullicino, Deputy Governor, Central Bank of Malta on the occasion of a National Conference on the Single European Payments Area (SEPA) on Friday, 26th October 2007.

Making the Single Euro Payments Area a reality in Malta

This morning's conference has been important for more reasons than one. The subject of the conference was certainly of strategic value to us all here today as it introduced us to important reforms in one of the most basic building blocks in the move towards a fully integrated single financial market in Europe. The conference was all the more relevant to us as it gave us a chance to reflect on the importance, as a soon to be euro area Member State, of reassessing our payment strategies and the chance to reposition ourselves in the area of payments. This should enable both banks and businesses that carry out or use retail payment services in Malta or from Malta to operate on a par with their counterparts in other euro area Member States.

For customers making payments the payment infrastructure is often associated with a 'not too cheap' mechanism to transmit money that takes place with 'not necessarily with the greatest efficiency'. To those who work with payment systems, payment systems remain an indispensable framework of instructions, message routing and account settlements in which money is moved from one account to another. As we have seen, it is a world that relies on a set of standards which enable financial transactions to pass from bank to bank with the greatest possible efficiency. We must admit however that in spite of all the improvements we have seen in recent years the European payment infrastructure is, up to now, still very complex. And this is where SEPA should help as it is effect a major step towards creating a harmonised retail payments framework in Europe

We are, I feel, privileged to be able to be entering the euro area at a time when the first SEPA compliant banks will go live, and our banks in Malta will be amongst those first banks.

A senior member of the Central Bank of Malta's Payment Systems Committee participates in the European Central Bank Payment Systems Committee on a regular basis and has defended the interests of Malta's payments community there when considered necessary. Our payment service providers meet regularly as members of the Malta Payments Systems User Group which again has on it Central Bank staff who participate in numerous technical committees at the ECB. Being a small community this gives us a very special advantage over bigger communities where perhaps the discussion on payment systems is left to the commercial community at large. It is an

advantage that we should be put to use in shortening the time we need to understand the changes that are taking place in the area of payments but it is also an advantage in terms of being able to pass the benefits onto our customers as SEPA will undoubtedly do.

Malta stands to gain from SEPA. Along with the benefits of financial markets integration, increased competition and capacity to innovate, there is strong potential for the country to attract e-commerce payments business and payments factory operations for trans-national corporations.

With the Payment Services Directive and SEPA, bank accounts and payment operations in every country should no longer be necessary. Many expect the consolidation of payments processing and supply chain management. Malta's has proved that it is an attractive base for the financial services given that its recognised as a centre which offers a trusted regulatory regime, has a pool of trained and efficient human resources and has an efficient communication and IT infrastructures. Given SEPA, I have no doubt that we will see increased activity in the area of payment services being offered from the Island before long.

The Central Bank understands that SEPA has and will require substantial investment by local players but in this context it would be wrong to see SEPA as an expense. It must be a business opportunity that must be viewed from the aspect of our banks now being euro area banks and not Maltese banks operating with Europe. The investment in SEPA will help banks pre-empt competition law problems, reduce costs and expand to new markets. It will also in time allow them to offer new and profitable services, such as e-invoicing and reconciliation. On the other hand users must make use of the advantages that SEPA offers and it is our banks duty to see that their customers understand SEPA and use it. Government payments will be a powerful driver of SEPA domestically and there is much to be gained by them once their payments become euro based.

We have had a number of well qualified speakers with us today who have made us much wiser on what SEPA is and what it has to offer. We should thank them for the insight and explanations they have given us.

I would like to close by announcing that the CBM will shortly initiating a consultation with the market on the implementation of the Payment Services Directive. The Bank will initially be working with the MFSA and existing payment service providers but will soon after be inviting a number of people and organisations, not necessarily all from the financial sector, to send in their comments on the document they are preparing. A careful assessment of what our community has to say will then be made. The Bank would like the consultation process to be as wide as possible and addressed to all those who may have an interest in payments. Details of the initiative will be

announced in the press and before long I expect the document we will be asking for comments on to be posted on the Bank's website (www.centralbankmalta.com) from where it may be accessed.

Thank you very much for your attention.