



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

**Introduction to the Application Process
Leading to the Approval
of a Payment System**

Central Bank of Malta

February 2008

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By virtue of article 34 of the Central Bank of Malta Act no person shall organise, establish, operate or participate in a domestic payment system unless such system is approved and authorised by the Bank.

Payment systems provide channels through which funds may be transferred among credit institutions and other institutions to discharge the payment obligations arising in the financial markets and across the entire economy. Payment systems allow financial obligations to be settled securely and efficiently between debtors and creditors or between originators and beneficiaries of payments.

A payment system is approved and authorised if it complies to standards as established from time to time by the Bank. As part of its oversight function, the Bank will monitor such systems to ensure compliance with the conditions of approval.

Generally the Bank would expect the promoter or operator of prospective systems to apply for approval and authorisation. Entities considering participation in systems approved by the Bank do not require its consent for participation but the operator would need to ensure that such participant complies with the conditions for participation of the payment system as approved by the Bank.

The Bank shall assess all applications on the basis of internationally established policies and published standards, which focus on the safety, efficiency and accessibility of different systems. The standards are specific to the nature of the system, and the assessment process and recommended features take into account the systemic importance of the system in the context of the overall domestic financial system. Copies of the relevant application forms are available from the Central Bank of Malta, Payment Systems Office.

Together with the appropriate application form, the Bank would require the applicant to submit the following documentation:

- i) registered name and address of entities promoting or operating the payment system; shareholders' names and Memorandum of Association together with copies of any licences held by the entities listed;
- ii) system rules and operational procedures which make clear all aspects of the system, including eligibility criteria for participants;
- iii) detailed contingency arrangements;
- iv) detailed information regarding the management of risks associated with all aspects of the system;
- v) the operational safety of the products being used; and
- vi) for an existing system, statistical information related to the turnover of the system and the level of participation should be included. For new systems a business plan outlining anticipated turnover, participation and growth is required.

For an application to be processed efficiently and in the shortest time possible, it is important that the application is comprehensively prepared on a well-developed and clear proposal. The Bank may require additional documentation or further clarifications on information already submitted with the application.

An applicant is bound to immediately inform the Bank of any material changes in the information submitted to the Bank when such changes occur after an application has been submitted. This obligation subsists even after a system has been authorised and approved.

Responsibility for the correctness and completeness of all relevant information submitted for the review of the application by the Bank rests with the applicant.

If required, a prospective applicant can contact the Payment Systems Office at the Bank to convene a preliminary meeting for advice on the preparation, set-up and practical aspects of submitting an application for approval and authorisation of a payment system. Initially a draft application form should be submitted. On the covering page, the application form should indicate whether it is a final or draft copy. All questions must be duly filled or marked “not applicable” where the applicant believes that a question does not apply. Where continuation sheets are used to provide further details relevant to the application, these must be clearly numbered. Any supporting documents and materials should be submitted with the draft application form. If the applicant is in doubt about how any of the questions should be answered, he is to contact Manager Payment Systems Office on telephone number: 2550 3601.

After the submission of the draft application form together with the relative documentation, the Bank will assess the application against international set standards. Further discussions with the operator may be undertaken to clarify any items, or to supply further documentation, before the approval of the payment system.

Once the initial application has been reviewed and any amendments agreed upon by the Bank and the applicant, a final application form duly signed, together with supporting documents incorporating the changes agreed upon should be submitted to the Bank. Subsequently, the Bank will issue an approval letter for the payment system to operate. The approval will be renewed on a yearly basis as part of the oversight review of the approved payment system.

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