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Post Consultation Report on the implementation of CBM Directive No. 21 on a Pan-European Scheme for Peer-to-Peer and Point-of-Interaction Payments

Published on: 2 November 2026

1. Introduction

The Central Bank of Malta (the Bank) launched a public consultation on the proposed CBM Directive No. 21 (the Directive) concerning the establishment of a pan-European scheme for peer-to-peer (P2P) and point-of-interaction (POI) payments in Malta.

The objective of the Directive is to support the adoption of a harmonised European payment solution based on SEPA Instant Credit Transfers, capable of strengthening European payment sovereignty, promoting innovation, reducing reliance on non-European payment solutions and facilitating greater use of instant payments across the Maltese market.

Feedback was received from the Malta Bankers' Association (MBA), the Financial Institutions Malta Association (FIMA), Bank of Valletta p.l.c (BOV) and Bizum.

The Bank would like to thank all stakeholders for their constructive participation throughout the consultation process.

2. General Feedback Received

The consultation process demonstrated broad support for the strategic objectives underpinning the Directive. Stakeholders generally agreed with the importance of promoting a European-based retail payment solution, enhancing competition and supporting the wider objectives of the Eurosystem's retail payments strategy.

Feedback on points of divergence was received primarily on:

- the governance framework and process through which a solution would be identified and adopted;
- the eligibility criteria applicable to prospective solutions;
- interoperability between European payment solutions;
- implementation timelines and operational readiness; and
- customer experience and market adoption considerations.

3. Governance Framework and Market Participation

Stakeholders highlighted practical considerations regarding the ability of industry associations to formally determine or select a solution on behalf of their members. Concerns were raised as to whether representative associations possess the necessary legal mandate or authority to take decisions that may ultimately bind a diverse range of market participants.

Feedback also highlighted the need to avoid potential competition concerns, ensure broad industry representation and maintain a transparent decision-making process.

Action Points: Following consideration of the feedback received, the Bank concluded that the responsibility for identifying, assessing and selecting the scheme should rest with the Bank, in consultation with the MFSA. This reflects the fact that Directive No. 21 is issued by the Bank under the Central Bank of Malta Act, while recognising the MFSA's supervisory responsibilities in relation to credit and financial institutions.

The Bank also recognised that the assessment should not be limited solely to the functionality available at the time it is undertaken. Given that the substantive obligations under the Directive only become applicable in 2028, the final Directive clarifies that the Bank may also take into account established implementation roadmaps, committed future functionalities, interoperability initiatives and other developments expected to become available before the implementation date. This approach ensures that the assessment identifies the solution best placed to support the long-term objectives of the Directive rather than merely the solution that happens to be the most developed at the date of assessment.

The final Directive therefore establishes a Bank-led assessment process. The Bank will identify the schemes it considers appropriate for consideration, assess them against the eligibility criteria and wider considerations established under the Directive, and determine the scheme to be selected, in each case in consultation with the MFSA.

To ensure that the identification process is open and transparent, the Bank will publish a call for expressions of interest for a period of one month giving an opportunity to operators of pan-European payment schemes that consider their scheme capable of satisfying the eligibility criteria to submit their interest for consideration under the Directive. The Bank deems that the final framework strikes an appropriate balance between transparency, market participation and regulatory judgement. It allows interested scheme operators and industry stakeholders to contribute to the process, whilst preserving the responsibility and discretion of the Bank to select the scheme that best supports the long-term objectives of the Directive.

4. Eligibility Criteria, European Governance and Eligible Operational Models

Stakeholders generally supported the principle that any solution adopted in Malta should contribute towards European payment sovereignty and strategic autonomy. At the same time, respondents highlighted that successful European payment solutions may operate under different legal and organisational models, including payment schemes, payment arrangements and other structures recognised under the Eurosystem oversight framework.

Stakeholders noted that certain European solutions operate as payment arrangements rather than traditional payment schemes and requested clarification as to whether such models would be considered eligible under the Directive.

Action Points: The Bank agrees that eligibility should not depend solely on the legal form adopted by a particular solution. The objective of the Directive is to identify a scheme capable of satisfying the underlying policy objectives established by the Bank, rather than to favour a particular legal or organisational structure.

Consequently, the definition of an eligible scheme has been expanded beyond the concept of a payment scheme to also encompass equivalent operational models, including payment arrangements and other recognised frameworks that satisfy the eligibility criteria established under the Directive.

The final Directive has therefore been amended to ensure that the assessment focuses on the substance of the proposed solution, including its governance arrangements, European ownership and control, operational resilience, interoperability, integration with SEPA Instant Credit Transfers and alignment with wider European strategic objectives.

This amendment is intended to ensure a level playing field between equivalent European solutions whilst preserving the policy objectives of the Directive.

5. Interoperability and European Integration

Several stakeholders emphasised the importance of maintaining interoperability among European payment solutions and avoiding fragmentation of the European retail payments landscape.

Action Points: The Bank fully supports this objective. In fact, one of the key policy objectives underpinning Directive No. 21 is to ensure that any solution adopted locally supports cross-border use cases and future European developments.

Whilst interoperability remains an important consideration, the Bank considers that it does not, on its own, remove the need for a harmonised national approach. The final assessment will therefore take into account interoperability alongside the wider eligibility criteria and strategic objectives established under the Directive.

6. Implementation Considerations

Several respondents expressed concerns regarding the implementation timelines, particularly considering other significant regulatory initiatives currently affecting the sector, including the Instant Payments Regulation and the forthcoming Payment Services Regulation.

In addition, stakeholders noted that the original period of thirty (30) days allocated to the MBA and FIMA to engage with their respective members, assess the available solutions and submit feedback to the Bank may be insufficient in light of the complexity of the exercise and the need to coordinate views across different segments of the market.

Action Points: Following the revision of the governance framework, the original requirement for the MBA and FIMA to consult their members and submit a formal market position within thirty days has been removed, with responsibility for the assessment and selection process resting with the Bank, in consultation with the MFSA. Furthermore, following the revised timetable for the publication and implementation of the Directive, the Bank has decided to extend the implementation deadline for payment service providers from 1 January 2028 to 1 April 2028. This extension provides institutions with an additional three months to complete the necessary operational, technical and organisational arrangements following the selection of the pan-European payment scheme.

The Bank considers that the revised deadline strikes an appropriate balance between addressing the practical implementation challenges highlighted by stakeholders and maintaining the timely introduction of a harmonised European payment solution across the Maltese market.

7. Customer Experience and Adoption

Several stakeholders suggested that the selected solution should be integrated directly within existing mobile banking applications rather than requiring support for a standalone application made available by the scheme. Respondents noted that such an approach could facilitate customer adoption by allowing payment service users to access the solution through existing banking channels and established customer journeys.

Action Points: The Bank acknowledges these considerations and agrees that integration within existing mobile banking applications may support a wider adoption and provide institutions with greater flexibility in the way they offer the selected solution to their customers.

However, the Bank has decided to retain the requirement for payment service providers offering the services referred to in paragraph 15(1) of the Directive to support, at a minimum, the standalone application made available by the selected scheme. The Bank considers that this requirement is necessary to promote a harmonised user experience across the Maltese market and to ensure that all payment service users, irrespective of their institution, have access to the same core functionalities and customer experience.

The Bank also notes that new features and value-added services developed by the selected solution are typically made available through the standalone application at the earliest opportunity. Therefore, by requiring support for the standalone application, the Bank ensures that payment service users can benefit from new functionalities without being dependent on the implementation priorities of individual institutions or their development timelines.

At the same time, the Directive does not prevent institutions from integrating the services made available by the selected scheme through their own mobile banking applications. Institutions remain free to offer those services through their existing digital channels, in addition to supporting the standalone application. To provide greater legal certainty, the final Directive has been amended to include an additional sub-paragraph expressly clarifying this position.

In this respect, the Bank considers that the final framework balances national harmonisation with sufficient flexibility for institutions to differentiate their customer offering through their existing digital channels.

8. Conclusion

The consultation process confirmed broad support for the strategic objectives of Directive No. 21 and provided valuable feedback on the governance framework and practical implementation of the initiative.

Following consideration of the feedback received, the Bank has introduced targeted amendments to clarify the treatment of different operational models, strengthen the governance framework and establish a transparent Bank-led process for identifying, assessing and selecting the scheme, in consultation with the MFSA. A table setting out the main feedback themes, the Bank's response and the amendments made can be found in the next Section.

The Bank considers that the amendments incorporated into the final Directive enhance clarity, governance and proportionality, whilst preserving the overarching objective of promoting a harmonised European payment solution across the Maltese market.

Consultation Theme	Summary of Market Feedback	The Bank's Response
Governance framework and market participation	Concerns were raised regarding the role of the MBA and FIMA in identifying a single solution on behalf of their members, together with the need for a transparent and objective assessment process.	**Accepted.** The governance framework was revised so that the Bank identifies, assesses and selects the scheme, in consultation with the MFSA. Scheme operators will be given the opportunity to register their interest for their scheme to be considered under the Directive through a call for expressions of interest
Eligibility criteria and operational models	Clarification was requested that different European operational models, including payment arrangements and equivalent structures, would be eligible for assessment.	**Accepted.** The Directive was amended to recognise equivalent operational models, provided they satisfy the eligibility criteria established under the Directive.
Interoperability	Stakeholders emphasised the importance of interoperability between European payment solutions.	**Partially accepted.** Interoperability has been recognised as an important assessment consideration. However, the Directive retains the objective of identifying a single harmonised pan-European solution for the Maltese market.
Implementation timelines	Stakeholders considered that thirty (30) days was insufficient for the associations to consult their members and provide meaningful feedback.	**Partially accepted.** Following the revision of the governance framework, the MBA and FIMA will no longer be required under the Directive to consult their members or submit a formal market position within a prescribed period. Instead, the Bank will carry out the assessment process, in consultation with the MFSA. Furthermore, the implementation deadline applicable to payment service providers has been extended from 1 January 2028 to 1 April 2028, providing institutions with an additional three months to complete the necessary implementation arrangements.
Customer experience and adoption	Preference was expressed for integration within existing mobile banking applications rather than relying solely on a standalone application.	**Partially accepted.** The Directive has been amended to clarify that institutions may integrate the selected solution within their own mobile banking applications. However, support for the standalone application remains mandatory to ensure a harmonised customer experience and timely access to new functionalities.