



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

CENTRAL BANK OF MALTA

DIRECTIVE No. 19

in terms of the

**CENTRAL BANK OF MALTA ACT
(CAP. 204)**

ON THE USE OF CHEQUES AND BANK DRAFTS

Issued on: 7 July 2021

Amended on: 20 September 2024 and 26 March 2026

Title I

General Provisions

INTRODUCTION AND SCOPE

1. In accordance with article 34A(1) of the [Central Bank of Malta Act \(Cap. 204 of the Laws of Malta\)](#) (the 'Act'), the Central Bank of Malta (the 'Bank') shall, in order to promote the stable and sustainable development and provision of the payments landscape in Malta, oversee and regulate the provision of payment services, payment applications, payment card schemes and payment transactions by credit institutions and financial institutions.
2. In terms of article 34A(5) of the Act, the Bank is vested with the authority to issue directives in respect of the provision of payment services.
3. The scope of the Directive shall be to ensure the safe and effective use of cheques and bank drafts (collectively 'paper-based instruments'), by reducing the legal and operational risks associated with these payment instruments.
4. This Directive is adopted in implementation of article 35A(5) of the Act and establishes:
 - (a) rules governing safe and effective use of cheques and bank drafts, where the payer, payee and the credit and financial institutions servicing the paper-based instruments are all located in Malta; and
 - (b) responsibilities of the parties involved in the processing of paper-based instruments, ensuring that proper records of those parties and of the actions undertaken are retained.
5. Any exemptions, derogations, or limitations to the obligations or rights established under this Directive shall be determined by the Bank, in accordance with the provisions of the Act, taking into account the principles of proportionality, necessity, and the protection of the financial system and the legitimate interests of the credit and financial institutions servicing the paper-based instruments.
6. This Directive shall apply to the following payment service providers:
 - (a) credit institutions licensed in terms of the Banking Act (Cap. 371 of the Laws of Malta), and includes any branch, agency or office in Malta of a credit institution not incorporated in Malta;
 - (b) financial institutions licensed in terms of the Financial Institutions Act (Cap. 376 of the Laws of Malta), and includes any branch, agency or office in Malta of a financial institution not incorporated in Malta;

- (c) post office giro institutions which are entitled under Maltese law to provide payment services; and
 - (d) the Bank when discharging banking services.
7. This Directive shall also apply to all natural or legal persons making use of paper-based instruments.
8. Paper-based instruments denominated in a currency other than the euro shall be deemed out of scope of this Directive.

DEFINITIONS

9. For the purposes of this Directive, the following definitions apply:
- (1) 'bank draft' means a cheque drawn by a credit or financial institution, on itself or on another drawee institution;
 - (2) 'cheque' means a signed, written or printed instrument issued by a drawer, ordering a drawee institution to pay, on demand, a specific sum of money from an account held with it;
 - (3) 'drawee institution' means a credit or financial institution mandated to pay a specific sum of money by a drawer according to the terms specified on the paper-based instrument;
 - (4) 'drawer' or 'payer' means a natural or legal person who orders a drawee institution to withdraw money from an account to pay a named natural or legal person, a specific sum according to the terms specified on the paper-based instrument;
 - (5) 'Only' means that the specific sum of money ordered to be paid according to the terms specified on the paper-based instrument is strictly payable to the payee named by the drawer;
 - (6) 'paper-based instrument' means either a cheque or a bank draft and shall not include money orders governed by the Universal Postal Union and the [Postal Services \(General\) Regulations](#) (S.L. 254.01);
 - (7) 'payee' means a natural or legal person named by the drawer on the paper-based instrument who is to receive a specific sum of money according to the terms specified on the paper-based instrument;
 - (8) 'payer institution' means any credit or financial institution, whether or not it is the drawee institution, authorised to pay a specific sum of money to a named payee according to the terms specified on the paper-based instrument;

- (9) 'payment service provider' means an institution listed in paragraph 6 of this Directive;
- (10) 'payment service user' means a natural or legal person making use of a paper-based instrument in the capacity of payer or payee, or both.

Title II

Obligations of Institutions and Operational Rules for Paper-Based Instruments

ISSUANCE AND NEGOTIABILITY OF PAPER-BASED INSTRUMENTS

10. (1) Paper-based instruments issued in Malta shall clearly state the sum payable, identify the payee, and be duly authenticated by the drawer. The date appearing on the paper-based instrument shall correspond to the date on which it is issued by the drawer. The drawee institution or payer institution shall nevertheless negotiate any post-dated paper-based instruments upon presentation.
- (2) Subject to paragraph 11 of this Directive, a paper-based instrument shall bear on its face the word "Only" and shall only be negotiable by a payment service provider.
11. Where an instrument bears on its face the words "Or Order", the instrument shall only be negotiable by a payment service provider and may only be payable to the payee named by the drawer of the instrument.
12. (1) The drawer shall ensure that a paper-based instrument contains, at a minimum, the following information:
- (a) The date of issue;
 - (b) The payee;
 - (c) The payable amount in words and figures which shall agree; and
 - (d) The signature of the drawer.
- (2) A drawer can issue an instrument only for amounts exceeding twenty euro (€20).

OBLIGATIONS OF THE DRAWEE AND PAYER INSTITUTIONS

13. Paper-based instruments payable to natural persons shall only be paid in cash limitedly where the amount payable does not exceed five thousand euro (€5,000). Paper-based instruments in excess of five thousand euro (€5,000) shall be deposited in the payee's account. The drawee institution may refuse to pay in cash any cheques issued by a drawer to the same beneficiary within a very short period of time, if the

institution reasonably considers such cheques to constitute parts of a single underlying obligation between the drawer with that beneficiary. Where the payee does not hold an account with the drawee institution, the drawee institution shall not encash paper-based instruments in excess of the limit specified in this provision.

14. (1) For paper-based instruments paid in cash and where the payee is a natural person, the payee shall receive the amount indicated on the paper-based instrument upon endorsing it and presenting it to a drawee institution or payer institution. The drawee institution or payer institution shall authenticate the identity of the payee by means of a valid, officially issued identification document. The date when the drawee institution or payer institution provided the encashment service shall be recorded on the paper-based instrument, together with a reference to the payee identification document presented by the payee.

(2) Where paper-based instruments are deposited in the account of the named payee, the drawee institution or the payer institution shall take all appropriate measures to ensure such deposit. The drawee or payer institution shall record the date of the deposit on the paper-based instrument and may retain a record of the identity of the person making the deposit.

(3) Without prejudice to the preceding sub-paragraph, the paper-based instrument may be presented to the drawee institution or a payer institution by a third party who is a natural person, for the purpose of depositing such instrument into an account of the named payee, provided that the third party supplies the account number of the named payee.

(4) The drawee institution or payer institution shall not pay in cash instruments payable to legal persons. Where the payee is a legal person, paper-based instruments shall only be deposited in the payee's account. The date on which the drawee institution or payer institution provided such service shall be recorded on the paper-based instrument.

15. A payer institution shall not be bound to negotiate a paper-based instrument for a payee who does not hold an account with that institution.

16. The drawee institution shall authenticate the instructions of the drawer as recorded on the instrument before effecting payment.

17. Paper-based instruments are valid for a maximum period of six (6) calendar months from the date of issue.

18. The institutions listed in paragraph 6 of this Directive shall ensure that all information relating to a paper-based instrument is retained, whether in electronic or physical form, for a period of at least five (5) years from the date on which the service is provided.

SUSPENSION OF CHEQUE ISSUANCE SERVICES

19. (1) The drawee institution shall suspend the provision of cheque issuance services to a drawer upon the occurrence, within the preceding twelve (12) calendar months of six (6) cheques presented to it for settlement that could not be honoured due to a lack of available funds. The suspension of cheque issuance services shall remain effective for a period of at least twenty-four (24) months from the date on which it takes effect.

(2) The drawee institution may suspend the provision of cheque issuance services to a drawer upon the occurrence, within the preceding twelve (12) calendar months of six (6) cheques presented to it for settlement that could not be honoured due to non-compliance with the requirements of paragraph 12 of this Directive. Where suspension is applied, it shall remain effective for a period of not more than six (6) months from the date on which it takes effect.

(3) For the purposes of sub-paragraphs (1) and (2), the drawee institution shall notify the drawer in writing, within five (5) working days from the fourth occurrence, warning that upon the sixth occurrence the cheque issuance services shall be suspended for the established term.

(4) Upon the suspension of the service, the drawee institution shall notify the drawer in writing and demand the return of any unused cheques.

(5) Any cheques issued by the drawer prior to the effective date of suspension, if valid, shall be honoured.

Title III

Final Provisions

COMPLAINTS AND DISPUTES

20. (1) Payment service providers shall establish, maintain and implement adequate and effective procedures for the handling and resolution of complaints submitted by payment service users concerning the rights and obligations arising under this Directive.

(2) Without prejudice to sub-paragraph (1), complaints by payment service users and other interested parties, including consumer associations, relating to an alleged infringement of this Directive by a payment service provider may be submitted to the Bank.

(3) In addition to the remedies under sub-paragraphs (1) and (2), payment service users and other interested parties, including consumer associations, may resort to the Office of the Arbiter for Financial Services for the settlement of a dispute with a

payment service provider concerning the rights and obligations under this Directive.

(4) The Bank shall assist the Office of the Arbiter for Financial Services in cooperating effectively with other relevant authorities, as appropriate, for the effective resolution of disputes concerning the rights and obligations arising under this Directive.

PENALTIES

21. (1) Any payment service provider or any payment service user that contravenes or fails to comply with an obligation set out in this Directive, shall be liable to an administrative penalty imposed by the Bank in accordance with article 56 of the Act and Central Bank of Malta Directive No. 12 on Administrative Measures and Penalties for Infringements under the Act.

(2) Any administrative penalty imposed on a payment service user in terms of subparagraph (1) shall not exceed two hundred euro (€200) for each paper-based instrument issued or deposited in contravention of the obligations of this Directive.

Provided that, where two or more payment service users are jointly responsible for the contravention, the Bank may impose an administrative penalty on each payment service user for the same contravention.

(3) Any administrative penalty imposed by the Bank in terms of this paragraph shall be effective, proportionate, and dissuasive.

(4) The Bank may make public any administrative penalty imposed on a payment service provider for failing to comply with a requirement under this Directive.

TRANSITIONAL PROVISIONS

22. (1) As from 1 January 2027, the following paragraphs shall be replaced by the provisions set out below and shall apply accordingly:

Paragraph 12(2) shall be replaced by the following:

“(2) A drawer shall only issue paper-based instruments for amounts equal to or exceeding fifty euro (€50).”

Paragraph 13 shall be replaced by the following:

“Paper-based instruments shall be deposited solely in the account of the named payee, and the payment service providers shall ensure that such instruments are processed in a manner that safeguards the proper identification.”

Paragraph 14 shall be replaced by the following:

“(1) The drawee institution or the payer institution shall take all appropriate

measures to ensure that a paper-based instrument is deposited in the account of the named payee.

(2) The drawee or payer institution shall record the date of the deposit on the paper-based instrument and may retain a record of the identity of the person making the deposit.

(3) Without prejudice to sub-paragraphs (1) and (2), a paper-based instrument may be presented to the drawee institution or a payer institution by a third party who is a natural person, for the purpose of depositing such instrument into an account of the named payee, provided that the third party supplies the account number of the named payee.

(4) Funds arising from the deposit of paper-based instruments drawn on the Bank, or from the deposit of paper-based instruments in an account held with the drawee institution, shall be made available in the account of the named payee by the end of the next business day, where such instruments are deposited through automated teller machines (ATMs).

(5) By way of exception to sub-paragraph (4), where a valid paper-based instrument is deposited at the counter of the drawee institution, the funds shall be made available in the account of the named payee upon presentation of the paper-based instrument to the drawee institution.”

Paragraph 17 shall be replaced by the following:

“(1) Cheques shall be valid for a maximum period of three (3) calendar months from the date of issue.

(2) Bank drafts shall be valid for a maximum period of six (6) calendar months from the date of issue.”

APPLICABILITY

23. (1) This Directive shall enter into force on the day of its publication.

(2) By way of derogation from sub-paragraph (1), paragraph 22 shall apply from 1 January 2027.