



**BANK ĊENTRALI TA' MALTA**  
**EUROSISTEMA**  
**CENTRAL BANK OF MALTA**

## **Consultation on measures to encourage the use of alternative payment methods to cheques**

**Monday, 20<sup>th</sup> October 2025**

**Closing Date: Friday, 19<sup>th</sup> December 2025**

*Note: The documents circulated by the CBM for the purposes of this consultation are in draft form and consist of proposals. Accordingly, these proposals are not binding and are subject to changes and revisions following representations received from stakeholders and interested parties. It is important that anyone involved in the consultation process bears these considerations in mind.*

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# 1. Introduction

The financial sector in Malta has been gradually shifting towards digital solutions driven by customers demand for more effective, efficient and mobile-friendly services. The Central Bank of Malta ('the Bank') recognises that locally, cheques are still a dominant means of payment, which in turn is vulnerable to fraud, inefficiency and administrative burden through the different clearing processes involved. To facilitate the reduction in the use of cheques in Malta, in 2021 the Bank published CBM Directive No. 19 on the Use of Cheques and Bank Drafts ('CBM Directive No. 19' or 'the Directive'), which became applicable on January 1, 2022. This Directive aimed to address several challenges from the use of cheques as a payment instrument, by implementing clear rules on the manner in which cheques and bank drafts should be issued, while curbing misuse and encouraging digital alternatives.

Following the introduction of the CBM Directive No. 19, a study on cheque usage in Malta<sup>1</sup> showed a sharp decline after 2019, from around 9 million cheques in 2019 to 2 million by 2024. This downward trend is expected to continue, driven by generational and behavioural shifts, the growing use of mobile banking, and the recent European mandate on credit and financial institutions to offer instant payments.

Regulation (EU) 2024/886 on instant credit transfers in euro requires credit and financial institutions that offer credit transfers to also provide instant credit transfers through the same channels and at no higher cost. For credit institutions, the obligation to support the receipt of instant payments came into force in April 2025, while the obligation to support the sending of instant payments started applying from October 2025. For financial institutions, the obligation to offer instant credit transfers will come into force in April 2027. From that juncture, customers would be able to send and receive payments within ten seconds. Such payment method is expected to be a game-changer for the Maltese financial market as consumers shall have a new electronic solution at their disposal, potentially an alternative to cards, allowing them to meet their financial obligations instantly while also enabling them to confirm the payee details for enhanced security.

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<sup>1</sup> [The usage of cheques in Malta](#) - Article published in the Quarterly Review 2025:3, pp. 69-74

From a local perspective, through [Act No. XXXI of 2025](#), the Government of Malta passed amendments to the Employment and Industrial Relations Act (Cap. 452 of the laws of Malta) by means of which salary payments in cash to third-country nationals whose employment commences on or subsequent to 1 October 2025, are now prohibited. Any such payments shall be paid exclusively by means of a bank transfer to an account held in the name of the employee, or through an electronic transfer facilitated by an accredited and licensed financial institution. In line with this legislative amendment and the recent European regulatory changes, the Bank views this as an opportunity to update Directive No. 19 to further encourage the use of alternative payment methods to cheques, while still retaining the latter instrument for use by the public.

Through this public consultation, the Bank is proposing a set of measures which build upon those introduced in 2022. This, to further reduce the reliance on cheques by introducing practical limitations on their use, while simultaneously promoting the adoption of instant credit transfers as a faster, safer, and more cost-effective alternative. By combining regulatory disincentives with targeted enablers, such as pricing reforms and a user-friendly payment infrastructure, the Bank undertakes to continue assisting all market players in reshaping payment behaviours across the Maltese economy, driven towards digitalisation. These measures not only align with European regulatory expectations but also support national incentives targeting innovation, financial inclusion, and operational efficiency.

## 2. Submission of Feedback

The Bank invites individuals and corporates to submit feedback on proposals put forward in this consultation document. The Bank welcomes comments which:

- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide examples or evidence to support the views expressed / rationale proposed;  
and
- describe any alternative regulatory choice/s which the Bank may consider.

Responses to this public consultation should be submitted via email strictly by Friday, 19<sup>th</sup> December 2025, addressed to [regulation@centralbankmalta.org](mailto:regulation@centralbankmalta.org). Responses received by the Bank after this deadline, or those submitted via other means will not be processed.

For the purpose of data protection rights and market sensitivity, all responses to this public consultation will be treated on a confidential basis. The processing of personal data by the Bank pursuant to this public consultation is regulated by the Data Protection Act (Cap. 586 of the laws of Malta) and the GDPR (Regulation EU 2016/679).

### 3. Consultative Part

This section outlines the proposed measures in detail. Each measure is designed to support the continued transition towards a secure, efficient, and inclusive payment landscape, while ensuring that the needs of all users are considered and adequately addressed. The measures build on existing regulatory frameworks and reflect ongoing engagement with stakeholders across the financial sector.

Any interested party is invited to submit feedback, together with supporting justifications and, where relevant, suggest alternative solutions for consideration. The following are the proposed measures:

**a. Reduce the validity period of all cheques and bank drafts from 6 months to 3 months**

A shorter validity period is intended to encourage beneficiaries to deposit cheques promptly, thereby reducing the risk of long-outstanding obligations in the financial system. This would in turn mitigate avoidable delays, simplify account reconciliation and prevent outstanding payments from remaining unresolved for extended periods, leading to improved efficiency of clearing processes and a more rapid settlement of funds.

Amendments to CBM Directive No. 19 in line with the proposed measure outlined above can be found in section 4 of this consultation document.

## **b. Mandatory cheque deposits in a payment account and the prohibition of cheque encashments**

Requiring cheques to be deposited into a payment account rather than encashed enhances the consistency and centralisation of transaction records, thereby promoting improved financial data integrity. Such a policy supports national anti-money laundering and combating the financing of terrorism frameworks by reducing opportunities for anonymous or informal cash movements. It also facilitates the creation of audit trails, which are essential for compliance, tax enforcement, and fraud detection across both personal and corporate financial activities. This measure also builds on Government's policy, through the above-mentioned legislative amendment requiring that salary payments to third-country nationals be deposited directly into a bank account as from 1 October 2025. The Bank invites stakeholders to propose any exceptions that could be considered.

This measure is not expected to impinge on the payee's access to funds given that in 2025, the Bank conducted an exercise with five credit institutions in Malta, all of which confirmed that a basic payment account is opened or refused within ten (10) business days, with no distinction between nationalities and in line with Subsidiary Legislation 371.18 on Credit Institutions and Financial Institutions (Payments Accounts) Regulations (S.L. 371.18). Moreover, the Bank intends to introduce a moratorium period in its CBM Directive No. 19, enabling the encashment of cheques already in circulation on the date of introduction of the changes under this consultation document.

Amendments to CBM Directive No. 19 in line with the proposed measure outlined above can be found in section 4 of this consultation document.

## **c. Increase the minimum amount for cheque issuance from €20 to €50**

By increasing the minimum amount for cheque issuance, the regulator encourages a shift towards more efficient and secure digital payment methods for day-to-day transactions including low-value payments. It also helps streamline bank operations, reduce paper handling costs and speed up payment processing times for both credit institutions and customers.

Amendments to CBM Directive No. 19 in line with the proposed measure outlined above can be found in section 4 of this consultation document.

A review of the current clearing cycle will be considered within six months from the application date of the revised CBM Directive No. 19.

- d. Payees should have the proceeds available in their account by the end of the next business day for the deposit of Central Bank of Malta cheques and cheques deposited in an account held with the drawee institution, or instantly should they deposit the cheque physically over the counter of the drawee institution.**

Cheques deposited into an account held by the drawee institution are expected to benefit from an expedited clearing process, as both the cheque issuer and the beneficiary are customers of the same credit institution. This level of service is also expected for cheques drawn on the Central Bank of Malta, given that the cheque issuer is the Government of Malta, and thus the payer institution will not be exposed to non-payment risks. This minimum level of service is being proposed to partially compensate for the prohibition of cheque encashments.

## 4. Other Considerations

The Bank is also suggesting two initiatives which could complement the above proposals by making electronic payments easier, cheaper and more accessible for all consumers.

### **Ensure the recalibration of charges by local credit institutions**

The Bank welcomes the initiatives taken by some local credit and financial institutions which have already removed charges on credit transfers, thus implying that instant credit transfers will also be free of charge once available. Through its proposals, the Bank's aim is to accelerate the shift away from cheques, which would promote a more modern, secure, and inclusive payments ecosystem.

At present, some institutions apply a fee for outgoing credit transfers based on the transfer amount, as well as fees for incoming payments exceeding a certain threshold. This structure has been in place for some time and is commonly adopted across various institutions.

In the case of cheque usage, the cost per cheque varies among providers. While some charge nominal fees per issued cheque or per cheque book, others offer cheque books free of charge to retail customers.

The Bank expects a coordinated effort from local institutions to recalibrate the cost structure in a manner that actively encourages the shift from cheques to SEPA credit transfers. Should current charging practices hinder this transition, the Bank will take appropriate regulatory action to ensure alignment with its strategic objectives.

### **Stakeholder feedback on a national mobile proxy look-up**

While instant credit transfers offer clear advantages, the process of manually inputting the payee's name and IBAN can be cumbersome for users. To address this, the Bank is seeking to assess the market's appetite in connecting to a mobile proxy look-up service, should such infrastructure be made available at a national level. This initiative would aim to facilitate more seamless and user-friendly payment experiences by enabling users to initiate transfers using familiar identifiers, such as mobile numbers.

The Bank invites stakeholders to share their views on the potential value, use cases, and considerations related to such a service. In the absence of further innovation, these two initiatives may represent the minimum necessary steps to facilitate more seamless instant credit transfers in Malta.

## 5. Revised CBM Directive No. 19



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**DIRECTIVE NO 19**

*in terms of the*

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

**ON THE USE OF CHEQUES AND BANK DRAFTS**

*Ref: CBM/21*

## **DIRECTIVE NO. 19 ON THE USE OF CHEQUES AND BANK DRAFTS**

Issued on 7 July 2021. Amended on 20 September 2024 and on [Date]

### **OBJECTIVE OF THE DIRECTIVE**

1. In terms of article 34A(5) of the [Central Bank of Malta Act](#) (*Cap. 204 of the Laws of Malta*) (hereinafter referred to as ‘the Act’), the Central Bank of Malta (hereinafter referred to as ‘the Bank’) is empowered to issue directives in respect of, *inter alia*, the provision and use of payments services.
2. Within the Bank’s objective to promote the stable and sustainable development and provision of the payments landscape in Malta, as set out in article 34A(1) of the Act, this Directive seeks to ensure the safe and effective use of cheques and bank drafts, hereinafter also collectively referred to as ‘paper-based instruments’, by reducing the legal and operational risks associated with these payment instruments.

### **SUBJECT MATTER**

3. This Directive lays down rules for the safe and effective use of cheques and bank drafts, where the payer, payee and the regulated institutions servicing the paper-based instruments are all located in Malta.
4. This Directive also lays down the responsibilities of the parties involved in the processing of paper-based instruments, ensuring that proper records of the parties involved and of the actions undertaken are retained.

### **SCOPE**

5. 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 agents and branches in Malta of credit institutions which are passporting their services in Malta;
  - (b) financial institutions licensed in terms of the [Financial Institutions Act](#) (*Cap. 376 of the Laws of Malta*), and agents and branches in Malta of financial institutions which are passporting their services in Malta;
  - (c) post office giro institutions which are entitled under Maltese law to provide payment services;
  - (d) the Bank when not acting in its capacity as monetary or public authority.
6. This Directive shall also apply to all natural or legal persons making use of paper-based instruments, without distinction. Cheques denominated in a currency other than the euro shall be deemed out of scope of this Directive.

## DEFINITIONS

7. For the purposes of this Directive, the following definitions apply:
- i. 'Bank draft' means a cheque drawn by a licensed credit or financial institution, on itself or on another drawee institution;
  - ii. '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;
  - iii. 'Drawee institution' means a licensed 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;
  - iv. '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, also referred to as the payee, a specific sum according to the terms specified on the paper-based instrument;
  - v. 'Only' means that the specific sum of money ordered to be paid according to the terms of a cheque or a bank draft is strictly payable to the payee named by the drawer on the paper-based instrument;
  - vi. 'Paper-based instrument' or 'instrument' means either a cheque or a bank draft. For the purpose of this Directive 'paper-based instrument' or 'instrument' shall not include money orders governed by the Universal Postal Union, as well as the [Postal Services \(General\) Regulations](#) (S.L. 254.01);
  - vii. '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 of the instrument;
  - viii. 'Payer institution' means any licensed credit or financial institution, which may not necessarily be 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;
  - ix. 'Payment service provider' means an institution listed in paragraph 5 of this Directive;
  - x. 'Payment service user' means a natural or legal person making use of a paper-based instrument in the capacity of drawer/payer or payee, or both.

For the purposes of this Directive, unless otherwise provided or made clear from the context, terms used in this Directive shall have the same meaning as is assigned to them under the Act.

## GENERAL RULES

8. Cheques and bank drafts issued in Malta shall clearly specify the sum to be paid and shall be made payable to a payee, and authenticated by the drawer. Such paper-based instruments shall be dated on the day they are issued. The drawee institution or payer institution, however, should negotiate any post-dated paper-based instruments upon presentation. Subject to paragraph 9 of this Directive, an instrument shall also bear on its face the word "Only" and shall only be negotiable by a payment service provider.

9. 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. Credit and financial institutions shall discontinue the issuance of “Or Order” paper-based instruments as from the date of entry into force of this Directive.
10. (1) The drawer is obliged to provide all the following information on the paper-based instrument:
- The date of issue;
  - The payee;
  - The payable amount in words and figures which shall agree; and
  - The signature of the drawer.
- (2) A drawer can issue an instrument only for amounts equal to or exceeding fifty euro (€50). ~~exceeding twenty euro (€20).~~
11. ~~Paper-based instruments payable to natural persons shall only be paid in cash if the payable amount does not exceed five thousand euro (€5,000). Paper-based instruments in excess of five thousand euro (€5,000) shall only be deposited in the account of the named payee. The drawee institution may decline to pay in cash cheques issued by a drawer over a very short period of time to the same beneficiary, if the institution considers the cheques to form part of the same obligation of the drawer with that beneficiary. Where the payee does not hold an account with the drawee institution, the~~
12. (1) ~~For paper-based instruments paid in cash and where the payee is a natural person, the payee shall receive payment according to the sum certain in money indicated on the paper-based instrument after endorsing it and presenting it to a drawee institution or payer institution. The drawee institution or payer institution is obliged to authenticate the identity of the payee through a valid publicly issued identification document. The date when the drawee institution or payer institution provided its service shall be recorded on the paper-based instrument, along with a reference to the payee’s officially issued identification document.~~
- ~~(2) For paper-based instruments which are deposited in the account of the named payee, t~~
- (1) The drawee institution or the payer institution shall take all the appropriate measures to ensure that the paper-based instrument is deposited in the account of the named payee. The drawee or payer institution shall record the date of the deposit on the paper-based instrument and may retain a record of the person who made the deposit.
- (23) Without prejudice to paragraph 12(12), 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 to deposit in the account of the named payee, subject to the third party providing 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, instruments shall only be deposited in the payee’s account. The date when the drawee institution or payer institution provided such service shall be recorded on the paper-based instrument.~~
- (3) The funds associated with deposits of paper-based instruments drawn on the Central Bank of Malta and paper-based instruments deposited 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, unless the deposit of a valid paper-based instrument is made at the drawee’s institution counter, in which case the funds shall be made available in the account of the named payee upon the presentation of the paper-based instrument to the drawee institution.

13. A payer institution is under no obligation to negotiate a paper-based instrument for a payee who does not hold an account with it.
14. The drawee institution is obliged to authenticate the instructions of the drawer on the instrument before effecting payment.
15. Paper-based instruments are valid for a maximum period of **three (3)** ~~six (6)~~ calendar months from the date of issue.
16. The institutions listed in paragraph 5 of this Directive shall ensure that all information relating to a paper-based instrument is retained through electronic or physical means for a period of at least five (5) years from the date when the service is provided.
17. (1) The drawee institution shall discontinue providing cheque issuance services to drawers for these instruments if, during the preceding twelve (12) calendar months, six (6) cheques presented to it for settlement could not be paid out due to 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 when it becomes effective.  
  
(2) The drawee institution may discontinue providing cheque issuance services to drawers for these instruments if, during the preceding twelve (12) calendar months, six (6) cheques presented to it for settlement could not be paid out due to not being in line with the requirements of paragraph 10 of this Directive. Where suspension of cheque issuance services is applied, this shall remain effective for a period of not more than six (6) months from the date when it becomes effective.  
  
(3) Pursuant to paragraphs 17(1) and (2), the drawee institution shall notify the drawer in writing at least within five (5) working days from the fourth infringement, warning that on the sixth infringement the cheque issuance services will be discontinued for the established term.  
  
(4) Upon the discontinuation of the service, the drawee institution shall inform the drawer in writing and demand the return of any unused cheques.  
  
(5) Any cheques issued by the drawer prior to the time of suspension, if valid, should be honoured.

## **PENALTIES**

18. (1) Where a payment service provider contravenes or fails to comply with a requirement contained in this Directive, the Bank may impose an administrative penalty in accordance with article 56 of the Act.  
  
(2) Any administrative penalties imposed on payment service providers in accordance with the preceding sub-paragraph and in line with provisions laid down in CBM Directive No.12 on 'Administrative Measures and Penalties for Infringements under the Act' shall be effective, proportionate, and dissuasive.  
  
(3) The Bank may make public any administrative penalty that is imposed against a payment service provider in failing to comply with a requirement under this Directive.
19. (1) Where a payment service user contravenes or fails to comply with a requirement contained in this Directive, the Bank may impose an administrative penalty in accordance with article 56 of the Act.

(2) Any administrative penalties imposed on a payment service user in accordance with the preceding sub-paragraph and in line with provisions laid down in CBM Directive No.12 on 'Administrative Measures and Penalties for Infringements under the Act' shall not exceed two hundred euro (€200) for each paper-based instrument issued, or deposited or encashed in contravention of the requirements of this Directive.

Provided that if two or more payment service users are co-responsible for the contravention, the Bank may mete out a penalty to all users for the same contravention.

## COMPLAINTS AND DISPUTES

20. (1) Payment service providers shall put in place and apply adequate and effective complaint resolution procedures for the settlement of complaints of payment service users concerning the rights and obligations arising from the provisions of this Directive.

(2) Notwithstanding the recourse set out in sub-paragraph (1), any 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) Without prejudice to the recourse set out in sub-paragraphs (1) and (2), payment service users and other interested parties 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 arising under this Directive.

(4) The Bank shall assist the Office of the Arbiter to cooperate effectively with other relevant authorities for the resolution of disputes concerning the rights and obligations arising under this Directive.

## FINAL PROVISIONS

21. In order to ensure a smooth transition following the amendments introduced under this Directive, the Bank shall permit the encashment and deposit of cheques issued prior to the effective date of these amendments. This moratorium period shall apply exclusively to cheques already in circulation at [insert effective date], and shall remain in force for a period of six months from that date. After the expiry of this period, all cheques shall be subject to the amendments introduced by this Directive.