

Cheque payment instrument: Key updates to Central Bank of Malta Directive No. 19



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Malta's payments landscape is undergoing a steady transformation driven by digital innovation, evolving customer expectations, and developments at European level. The increasing availability of instant payments and other electronic solutions is reshaping how individuals and businesses transfer money, placing greater emphasis on speed, security and convenience.

Within this context, the Central Bank of Malta ('Central Bank') continues to promote a gradual transition towards more efficient and resilient payment methods, while ensuring that existing instruments remain fit for purpose. The updates to Directive No. 19 on the Use of Cheques and Bank Drafts ('Directive') should be seen against this backdrop, ensuring that cheque usage remains proportionate, transparent and aligned with a modern payments' ecosystem.

As background, the Central Bank acting in its capacity as the authority responsible for safeguarding the stability and efficiency of Malta's payments landscape, first issued Directive No. 19 in 2021. The Directive came into force on 1 January 2022 and was subsequently amended in 2024.

The Directive was introduced to address recurring risks and operational challenges associated with the issuance and negotiation of cheques and bank drafts, including misuse, inefficiencies in processing and delayed settlement. By setting out clear obligations for issuers and beneficiaries it supports improved governance in the use of such payment instrument while complementing Malta's broader shift towards more secure and efficient digital payment channels.

In 2025, the Central Bank

published an analysis on The Usage of Cheques in Malta, that revealed a sharp decline of 78% in cheque usage between 2019 and 2024. This trend reflects a widespread take-up of digital alternatives based on the implementation of European regulatory frameworks.

In light of these developments and based on the Eurosystem's comprehensive payments strategy which embrace innovation and forward-looking approach in payments, the Central Bank felt the need to update Directive No. 19. The amendments to the Directive will come into force on 1 January 2027. These updates aim to refine existing procedures and align cheque usage with evolving operational and security requirements, ensuring consistency with current practices. The key changes are outlined below.

Minimum cheque amount raised from €20 to €50

Effective 1 January 2027, cheques may only be issued for amounts of €50 or above. This adjustment is designed to shift routine, low-value transactions towards digital payment options, such as instant payments, which offer quicker processing and greater convenience.

Limiting this payment instrument to higher-value payments helps manage resources more efficiently by reducing manual handling costs incurred by institutions and lowering the likelihood of processing errors. For beneficiaries, this shift also promotes the use of digital payment methods, which offer stronger security, faster processing and clearer transaction records. This measure preserves the usefulness of cheques and bank drafts for significant transactions while encouraging more modern, efficient payment behaviour for everyday needs.

Cheques valid for three months

The updated framework shortens the validity of cheques from six months to three months. This reduces the risk that a cheque remains outstanding for an extended



period, where it may be misplaced, misused, or simply not presented in a timely manner. A shorter validity window also supports a more efficient movement of funds, as the clearing and settlement process begins more promptly once the cheque is presented for processing.

A shorter validity period for cheques lead to a smoother settlement cycle, giving beneficiaries faster access to funds and a clearer view of their account activity. At the same time, institutions benefit from streamlined operational workflows, simplified account reconciliation, and fewer outdated instruments requiring follow-up. Collectively, these improvements applicable on 1 January 2027, contribute to a more predictable and reliable processing environment for all parties involved across the payments chain.

Furthermore, the validity of bank drafts will remain 6 months given that this particular payment instrument is mainly used for larger transactions such as property purchases. Bank drafts are considered as more secure when compared to cheques given that the Bank issuer locks the funds upon issuance and thus provides certainty that funds are available.

Mandatory deposit of cheques into a payment account

To enhance transparency and improve the traceability of payments end-to-end, the new amendments will require all cheques and bank drafts to be deposited directly into a payment account rather than having the option to encash

over the counter, a requirement that comes into force on 1 January 2027. This ensures that each cheque transaction is fully recorded within the banking system. It also supports anti-money-laundering controls by ensuring that all fund movements are captured within the payments' infrastructure.

For beneficiaries depositing cheques and bank drafts into an account it ensures a standardised clearing process, and clearer indications of when funds shall be available, facilitating cash-flow management and reducing uncertainty. Institutions likewise benefit from reduced cash handling, lower operational and security risks, and improved audit trails, resulting in a more controlled and efficient processing environment.

This update also aligns with Malta's broader policy objective of strengthening transparency in payment practices. Recent amendments to the Employment and Industrial Relations Act (Cap. 452) require wages payable to third-country nationals to be settled exclusively by bank transfer or through an electronic transfer executed by a licensed financial institution. Both developments move in the same direction: enhancing transparency, reducing risks of abuse, and supporting stronger oversight across the payments landscape.

Funds credited instantly in the case of over-the-counter deposits

Under the new amendments, cheques deposited in person at a branch of the issuing bank should be credited instantly,

allowing immediate access to the funds, including cash withdrawal from an ATM. This procedure will also apply from 1 January 2027. By contrast, cheques deposited via an ATM of the same bank will be credited no later than the end of the following business day. The same rules also apply to cheques issued by the Central Bank on behalf of the Government of Malta, including tax refunds and government bonus cheques.

For beneficiaries, such changes provide quicker access to money and clear timeframes that support cash-flow planning and reconciliation. For institutions, it enables more efficient in-house processing, reduces risk exposure, and limits cash handling steps.

Key Takeaways

Overall, the updated Directive reflects a balanced approach between preserving payment choice and encouraging the adoption of more efficient alternatives. While cheques and bank drafts will continue to serve specific use cases, particularly for higher-value transactions, their role in everyday payments is expected to diminish further over time in favour of faster and more secure electronic solutions.

Looking ahead, the Central Bank will continue to support initiatives that strengthen the efficiency, resilience and strategic autonomy of the payments' ecosystem. This includes fostering the uptake of instant payments and promoting solutions that enhance transparency, reduce risk, and align Malta with broader European developments in retail payments. In this evolving landscape, the Directive forms part of a wider policy direction aimed at ensuring that payment services remain accessible, secure and future-ready.

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