



## 5. CURRENCY, PAYMENT SYSTEMS AND BANKING SERVICES

The Central Bank of Malta is responsible for the issue and circulation of euro banknotes in accordance with the legal framework of the ESCB, the ECB and of the Central Bank of Malta Act. The Bank also issues coins on behalf of the Government of Malta through a Memorandum of Understanding. Moreover, the Bank is responsible for the regulation and oversight of the payment and securities settlement systems (SSSs) in Malta.

### Currency operations

The Central Bank of Malta maintains an adequate supply of euro banknotes and coins to meet the demand of the banking system. The Bank ensures the high quality and authenticity of the currency in circulation. All currency returned to the Bank is processed by ECB/European Commission (EC) accredited machines. Counterfeit banknotes and coins are withdrawn while those found to be unfit for circulation are destroyed. Currency stocks and flows data are reported to the ECB through the Currency Information System on a daily and monthly basis.

In terms of the obligations laid down under Central Bank of Malta Directive No. 10, the Bank monitors recycling activities performed by credit institutions and other professional cash handlers. The Bank also performs annual monitoring on banknote handling machines and coin processing machines to ensure that they detect all counterfeit currency. Other monitoring checks are carried out on an ad hoc basis at branches and cash centres of commercial banks or cash-in-transit companies.

The Bank analyses banknotes and coins suspected to be counterfeit and provides expert evidence related to counterfeit currency in terms of the obligations laid down under Article 54 of the Central Bank of Malta Act (Cap. 204).

### Circulation of notes and coins

During 2023, the number of notes inspected by the Bank totalled 29.6 million compared with 53.4 million in 2022. The inspected notes had a value of €681.2 million, €675.0 million lower than in 2022. When compared to 2022, there was a decrease of 49.8% in volume of notes inspected by the Bank. This is attributed to the significant increase in re-circulation activities by commercial banks during 2023. A total of 22.5 million banknotes with a value of €497.3 million were found suitable for re-issue, while 7.4 million banknotes with a value of €241.7 million were destroyed. The share of destroyed banknotes between 2022 and 2023 decreased by 2.1% in volume terms and 13.5% in value terms.

In 2023, the value of euro banknotes in circulation grew by 2.8%. At the end of the year, the total value of banknotes in circulation was €2,366.4 million (see Table 5.1). No new series of notes were issued during 2023.

In 2023, the outstanding volume of euro coins increased by 4.8%. By the end of the year, there were 422.1 million coins issued and outstanding, equivalent to €110.4 million (see Table 5.2).

During 2023, the Bank processed 34.1 million coins, equivalent to €19.6 million. Between 2022 and 2023, the number of coins examined decreased from 36.2 million to 34.1 million, a decrease of 5.8%. No coins were demonetised or ceased to be exchangeable during 2023.

**Table 5.1**  
**BANKNOTES ISSUED AND OUTSTANDING BY THE CENTRAL BANK OF MALTA**

*EUR millions*

Total	Issued	Withdrawn	Net issue	Issued and outstanding
2022	1,503.8	1,332.9	170.1	2,301.6
2023	735.1	670.3	64.8	2,366.4

Source: Central Bank of Malta.

**Table 5.2**  
**COINS ISSUED AND OUTSTANDING BY THE CENTRAL BANK OF MALTA**

*EUR millions*

Total	Issued	Withdrawn	Net issue	Issued and outstanding
2022	24.4	20.3	4.1	105.9
2023	25.2	20.7	4.5	110.4

Source: Central Bank of Malta.

In 2023, the Bank implemented an upgrade of the Cash Single Shared Platform system for stock management of banknotes and coins.

During 2023, the Bank continued to certify professional cash handlers using its dedicated online platform. Staff involved in cash handling from credit institutions renewed their certificates by taking online tests in *Anti-Money Laundering and Know Your Banknotes* modules. By the end of 2023, there were 1,598 certified professional cash handlers enrolled.

The Bank intensified its educational campaign intended to increase public awareness on counterfeit banknotes. In addition, an educational campaign was also launched on the Bank's Facebook page.

***Anti-counterfeit measures***

The Central Bank of Malta continued to monitor credit institutions and other professional cash handlers, ensuring that all cash handlers were appropriately certified and trained. In addition, staff performed monitoring tests on banknote handling machines and coin processing machines. The Bank collected and analysed data on recirculation and subsequently sent to the ECB. Quarterly meetings on currency matters and counterfeit developments with credit institutions continued to be held. The Bank also provided assistance to cash handlers with the upgrading of their banknote handling machines.

During 2023, 845 pieces of banknotes and 756 pieces of coins were examined, and findings were uploaded into the ECB's Counterfeit Monitoring System. When compared to the previous year, the number of counterfeits detected increased by 13.2%. The quality of the counterfeits continues to be low and they can be detected very quickly and easily by applying the feel-look-tilt test.

## BOX 5: NUMISMATIC RELEASES 2023

### The Malta Band Clubs Association

An issue of gold and silver coins commemorated the Malta Band Clubs Association, which is an organisation that incorporates around ninety band clubs in Malta. The Association was set in 1947 and works to the benefit of Maltese band clubs which uphold music traditions and offer music teaching to a wide spectrum of the Maltese society. Band clubs are intrinsically associated with the Maltese 'festa' which has recently been added to the UNESCO list of intangible cultural heritage.



The coins were designed and engraved by Noel Galea Bason and were minted at the Royal Dutch Mint. The coin obverse features the coat of arms of Malta. The reverse shows a representation of a Maltese village band.

### The Death of Juan Bautista Azopardo – 175<sup>th</sup> Anniversary

The Bank issued a silver coin to mark the 175<sup>th</sup> anniversary of the death of Juan Bautista Azopardo. Azopardo was born in Senglea in 1772. At a young age he travelled to France and served an apprenticeship at the naval arsenal at Toulon. He joined various sea captains involved in privateering activities. This took him to South America where he distinguished himself in the Spanish service during a British attack on Buenos Aires in 1806/1807. Azopardo settled in South America and was involved in the wars for Argentinian independence. He helped form the first Argentinian naval squadron, which in 1811 he led to battle against royalist forces. Azopardo is one of the founding fathers of the Argentinian navy and over the years, a number of ships were named after him.



The coin was designed by Antonella Napolione and was minted at the Royal Dutch Mint. The coin obverse features the coat of arms of Malta. The reverse carries a portrait of Azopardo together with a representation of one of the ships he led to battle in 1811.

### Dr John Borg (1873-1945)

The Central Bank of Malta marked the 150 years since the birth of Dr John Borg with an issue of silver and gold coins. Dr Borg was born in Balzan. He studied medicine at the University of Malta. Although a doctor by profession, in 1900 Borg assumed the responsibilities of Superintendent of Public Gardens and in 1919, was appointed Superintendent of Agriculture. He established a plant pathology unit and set experimental farming on good



foundations. He was also a pioneer in the field of natural conservation in the Maltese islands. For many years, Dr Borg held the chair of Natural History at the University of Malta. He was a prolific writer and his books about the flora of the Maltese islands and about cactus and succulents are still considered as classics. Dr Borg was a public-spirited person and before his death donated his extensive collection of around 4,000 cactus plants to the Argotti Botanic Garden. He created a scholarship fund to enable university students to pursue studies abroad.

The coins were designed by Maria Anna Frisone and were minted at the Royal Dutch Mint. The coin obverse features the coat of arms of Malta. The reverse shows a portrait of Dr John Borg.

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### Nicolaus Copernicus

During the year the Central Bank of Malta also issued two commemorative €2 coins. One of the coins depicts the birth of Nicolaus Copernicus, a student of Canon Law, a mathematician and astronomer. He was active in many fields but is best remembered for his heliocentric theory of the universe which was based on scientific observations and contradicted the widely accepted theory which placed the earth as the centre of the universe. The coin, which depicts a stylized profile of Copernicus and a model of his theory of the universe, was designed by Daniela Fusco and was minted at the Royal Dutch Mint.



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### Napoleon Bonaparte and the French in Malta

The second coin issue commemorated the 225<sup>th</sup> anniversary from the arrival of Napoleon Bonaparte in Malta in 1798. Napoleon conquered the Maltese islands and banished the Order of Saint John from Malta. During his seven-day stay in Malta, Napoleon abolished slavery and the privileges of nobility, he curbed the power of the Roman Catholic Church and abolished the court of the Inquisition. However, the French administration irked many Maltese who burst in rebellion in September 1798. The coin depicts an allegorical representation of republican France based on that used on official French Government stationery in 1798. The coin was designed by Noel Galea Bason and was minted at the Royal Dutch Mint.



*The Numismatics and Historical Publications Advisory Board (NHPAB) was set up in 2017 to propose themes for the Central Bank of Malta commemorative coins programme and to act as editorial board for historical publications. It took over this role from the Currency Advisory Board. During 2023, the NHPAB was chaired by the Governor of the Central Bank of Malta, with the Chief Officer Banking Operations, Mr Benoit Waelkens, Professor John Chircop, Dr Lillian Sciberras and Dr Mario Brincat as members. The Board secretary is Mr Kevin Cassar, Curator of the Central Bank of Malta's Museum.*

### **Payment and securities settlement systems**

The Central Bank of Malta is responsible for the regulation and oversight of the payment and SSSs in Malta. The Bank contributes to the relevant regulatory developments and carries out oversight assessments on entities to promote an effective and efficient payments landscape in Malta.

#### *Oversight assessment on MTEUROPAY*

The Bank conducted the first oversight assessment on MTEUROPAY during 2023, following its approval as a payment system in 2021. The outcome of this assessment shall be discussed with the operator of MTEUROPAY in 2024.

#### *Cyber Resilience Survey on Financial Market Infrastructures*

A Cyber Resilience Survey was conducted on the national FMIs, namely MTEUROPAY and the MSE, to evaluate the current cyber resilience position. A report with the outcome of the exercise shall be drawn in 2024 for presentation to the operator of MTEUROPAY and the MSE.

#### *Critical Service Providers Survey on FMIs*

The ECB launched a revised *Critical Service Providers Survey* during the last quarter of 2023. This survey will be finalised in 2024.

#### *Monitoring of a national card scheme under the Payment Instruments, Schemes and Arrangements Framework*

Based on the Payments Instruments, Schemes and Arrangements Framework, which was adopted by the Eurosystem during 2023, the Bank conducted a monitoring exercise on a national card payment scheme.

#### *Follow-up on MSE's open findings on previous review and evaluation assessments*

The Bank is responsible for continuous review and evaluation of the MSE under the Central Securities Depository Regulation (CSDR). To this effect, a follow-up by the Bank and the MFSA was conducted, aiming to address open findings stemming from previous assessments. Communication with the ECB in this respect is ongoing.

#### *The Digital Operational Resilience Act and TIBER-EU framework*

Given the increasing risk of cyber-attacks, the European Union intends to strengthen IT security of financial entities. In preparation for the implementation of the Digital Operational Resilience Act (DORA), envisaged by January 2025, the Bank and the MFSA held regular meetings to discuss any updates and aspects within DORA, in particular highlighting obligations for the competent and relevant authorities. Furthermore, discussions on the implementation of Threat Intelligence-based Ethical Red Teaming (TIBER-EU) Framework were conducted. Together with the MFSA, the Bank is participating as an observer in regular TIBER Knowledge Centre meetings to gather views from other jurisdiction on the status of the TIBER-EU implementation.

#### *Annex 3 of Central Bank of Malta Directive No. 1*

Annex 3 of the Bank's Directive No. 1 requires that credit and financial institutions submit an annual report on the ICT and security risk management of their operations.

#### *Analysis on the use of Payment Instruments*

The Bank conducts statistical analysis on the transactions effected through different payment instruments and compiles several reports in this regard, such as the ATM Cash Withdrawal report, whereby an abridged version of the latter report was published in the Bank's *Quarterly Review*.

### *Merchants' data to the National Statistics Office*

As agreed with the NSO, the Bank collects from local acquirers, monthly card payment data per merchant which were effected through physical Point of Sales and online.

### *Interchange Fee Regulation*

The Bank assessed the adherence to the Interchange Fee Regulation by requesting data from local acquirers on the merchant service charges applied.

Furthermore, in 2023, a study was initiated to evaluate the fees charged by international card schemes, as well as any remuneration provided by such card schemes to local acquirers. The Bank is currently evaluating the data gathered and is expected to finalize the outcome in 2024.

### *Central Bank of Malta Directive No. 20*

In September 2009, the European Parliament issued the [Regulation \(EC\) No 924/2009](#),<sup>1</sup> with the aim of facilitating cross-border transactions within the European Union. The Bank was appointed as competent authority for such Regulation. [Regulation \(EC\) No 924/2009](#) was substantially amended several times and, in the interests of clarity and rationality, such Regulation was codified into [Regulation \(EU\) 2021/1230](#).<sup>2</sup>

On 10 October 2023, the Bank issued Directive No. 20 on Cross-Border Payments which stipulates that the Bank remains the competent authority for the purpose of [Regulation \(EU\) 2021/1230](#).

### *Revision of the Payment Services Directive*

On 28 June 2023, the European Commission launched a proposal to amend and modernise the revised Payment Service Directive (PSD2). The Bank provided input to consultations regarding the proposed text. Moreover, staff members attended several working parties organised by the European Presidency to discuss the legislative proposal. A Joint Working Group was set up together with the Malta Bankers' Association and the Financial Institutions Malta Association to discuss the proposed provisions and voice the concerns of the local market at a European level.

### *Single Euro Payments Area (SEPA) Regulation*

Article 9 of the SEPA Regulation states that a payer or payee shall not specify the Member State in which the account to be debited or credited is located. Some companies, however, still refuse to make or receive payments from foreign accounts, despite being in breach of the SEPA Regulation. During 2023, the Bank assessed complaints against Maltese merchants and payment service providers.

### *Legislative Proposal on Instant Payments*

On 26 October 2022, the European Commission published a legislative proposal on instant payments. During 2023, the Bank contributed to consultations regarding the legislative proposal. Furthermore, the Bank updated the local banking community on the outcome of the final text.

### **Malta Clearing House**

Members of the Malta Clearing House (MCH) meet every morning at the Bank's premises to physically exchange the cheques negotiated during the previous working day. As at the end of 2023, the MCH comprised ten members including the Central Bank of Malta.

The number of cheques issued during 2023 continued to decrease when compared to 2022 (see Table 5.3). The latter may be also partly attributed to Central Bank of Malta Directive No. 19 on the use of cheques and bank drafts.

<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32009R0924>

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1230>

**Table 5.3**  
**NUMBER AND VALUE OF CHEQUES PROCESSED BY THE MCH, 2022 AND 2023**

	Number of cheques	Value (EUR millions)
2022	2,774,534	7,563.9
2023	2,233,245	7,807.0
Change	-541,289	243.1
Percentage change	-19.5%	3.2%

Source: Central Bank of Malta.

### TARGET2-Malta

In 2023, the ECB launched the Eurosystem Single Market Infrastructure Gateway consolidating all the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) services, namely, TARGET2 (T2), TARGET2-Securities (T2S) and TARGET instant payment settlement (TIPS). During 2023, the number of direct participants on a local level remained unchanged at 13. The total volume of payments processed during 2023 was 236,455 for a total value of €284.3 billion. The T2-Malta payments traffic in 2023 registered a 187.5% increase in terms of volume and a decrease of 70% in terms of value when compared to 2022. The volume of customer payments was 181,131 for a total value of €25.6 billion, leading to an increase in volume of 220.9% and an increase in value of 148.5% when compared to 2022. The volume of inter-bank payments was 53,324 for a total value of €258.7 billion, indicating an increase of 106.8% in terms of volume and a decrease of 72% in terms of value (see Table 5.4).

**Table 5.4**  
**TARGET2 PAYMENTS<sup>(1)</sup>**

	Total volume of payments	Total value of payments (EUR billions)	Total volume of retail payments	Total value of retail payments (EUR billions)	Total volume of wholesale payments	Total value of wholesale payments (EUR billions)
2022	82,234	934.2	56,449	10.3	25,785	923.9
2023	236,455	284.3	181,131	25.6	53,324	258.7
Change	154,221	-649.9	124,682	15.3	27,539	-665.2
Percentage change	187.5%	-70%	220.9%	148.5%	106.8%	-72%

Source: Central Bank of Malta.

<sup>(1)</sup> Due to the consolidation of the TARGET services, the reporting tool used to compile data for the Annual Report was also changed, from an in-house developed report to a report which is provided by the Eurosystem. To this effect, the Bank does not have any visibility and access to the previous reporting tool used for the 2022 data compilation, therefore cannot ascertain that the same type of data is being compared. The new reporting tool used for 2023 (which is being used for the first time) provides a more comprehensive and detailed view of all T2 payments.

### Banker to the Government

The banking services provided to the Government remained the same as the ones offered in the previous year. The latter comprise the opening and maintenance of various euro and foreign denominated accounts, the encashment of cheques drawn on the Bank and issued by government departments, deposits of cash and cheques, safe deposit facility, safe custody, processing of payment instructions through T2, Society for Worldwide Interbank Financial Telecommunication (SWIFT) and SEPA Credit Transfers.

The number of cheques drawn on the Bank decreased during 2023 when compared to 2022, since in 2023, the Government did not issue cheques related to a budgetary measure as it did in 2022 (see Table 5.5).

**Table 5.5  
NUMBER AND VALUE OF CHEQUES DRAWN ON THE CENTRAL BANK OF  
MALTA BY THE GOVERNMENT**

	Number of cheques	Value (EUR millions)
2022	706,972	200.0
2023	372,942	152.5
Change	-334,030	-47.5
Percentage change	-47.2%	-23.8%

Source: Central Bank of Malta.

During 2023, the Bank continued servicing the Government's external debt through periodic payments. In 2022, €128,025.50 worth of capital repayments were settled as opposed to €127,953 in 2023. The associated interest paid in 2023 amounted to €5,373, which represents 83% of last year's amount of €6,471. The Bank also paid €891,000 of interest during 2023 related to SURE loans.

The total value of funds transferred to external debt sinking funds by debit of the Government account during 2023 amounted to €50,000.

In 2023, the Bank processed 3.2 million SEPA Credit Transfers for a total value of €8.3 billion on behalf of its customers. When compared to the previous year, there was a decrease of 3% in the volume whilst registering an increase of 3.75% in the value of SEPA Credit Transfers.

### Banker to the banking system

The Bank acts as banker of the banking system by providing deposit facilities to credit institutions. These institutions maintain balances at the Bank mainly to meet their reserve deposit requirements. They also hold accounts pledged in favour of the ICS and DCS.

### Digital euro

On 28 June 2023, the European Commission published a legislative proposal on a possible digital euro and legal tender of euro banknotes and coins. The proposed legislative text establishes a framework to facilitate the possible introduction of a digital euro. The Bank provided input to consultations regarding the legislative proposal. Moreover, staff attended several working parties organised by the European Presidency to discuss the legislative proposal.

In October 2023, the ECB Governing Council decided to proceed with the digital euro project and initiated the digital euro preparation phase. The Bank is assisting the developments in the preparation phase.