BOX 3: THE EVOLUTION OF PAYMENTS TRANSACTIONS BY LICENSED INSTITUTIONS[1]

Introduction

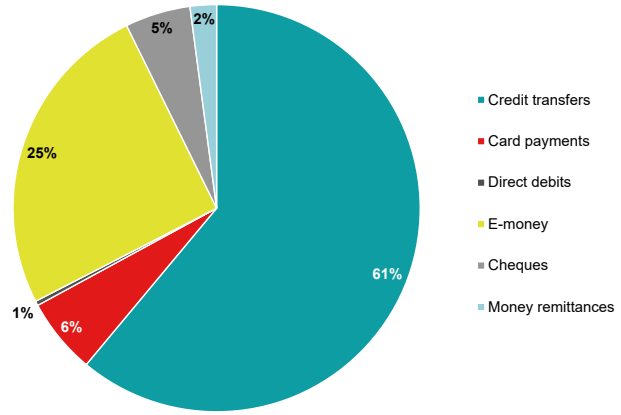
A credit institution traditionally serves as an intermediary between depositors and borrowers, with surplus funds channelled into securities holdings and other assets. This model remains central when assessing vulnerabilities such as liquidity risks from deposits or credit risks for loan portfolios. However, banks, alongside e-money and payment institutions, also perform another critical intermediary role, that of facilitating payment transactions. Households and firms routinely rely on these institutions to execute daily operations such as card purchases, credit transfers, or direct debits. The smooth functioning of payments is essential to ensure confidence in the financial system. Any disruption, whether due to cyberattacks, operational failures, or concentration in widely used service provider, can quickly spill into broader financial stability concerns. Even minor disruptions can have outsized effects on consumer confidence and liquidity flows, often making headlines when they occur.[2]

From 2022 onwards, Payment Statistics (PS) began to be reported under an updated framework, providing more comprehensive coverage of payment services across credit institutions, payment institutions and e-money institutions. This box uses this data to assess recent developments in Malta's payments landscape, and to monitor potential structural shifts, particularly as new market players and technologies continue to reshape customers' payment behaviour. It will focus on four main types of payment transactions, being credit transfers, direct debits, card-based payments and e-money transactions, while touching also upon cheques issued and money remittances. Unless otherwise stated, institutions will be grouped as core domestic banks, other banks, e-money institutions, and payment institutions.[3] The period assessed is that from January 2022 to June 2025 and reflects transaction flows conducted in the period mentioned.

Payment Statistics

An overview of the PS data from January 2022 to June 2025 highlights the relative importance of different transaction types within Malta's payments landscape. In value terms, credit transfers dominate, accounting for approximately 61% of all funds transferred (see Chart 3a). This is expected, as credit transfers encompass a broad range of purposes, from transfers between personal accounts to third-party payments for goods and services.

Chart 3a
SHARES OF TRANSACTIONS – JANUARY 2022 TO JUNE 2025
(per cent)



Source: Central Bank of Malta.

E-money transactions represent the second largest share, making up about 25% of the overall transaction value. As discussed in later

[1] Written by Mr Andrew Spiteri, Manager from the Financial Stability Surveillance Office. The author would like to thank Ms Wendy Zammit, Head, Financial Stability Surveillance and Research Department and Mr Alan Cassar, Chief Officer Financial Stability and Statistics Division, for their invaluable suggestions.

[2] Example of news headlining the delays of transfers: Maltatoday: Bank technical issue leads to delay in salaries for UM staff.

[3] Other banks include foreign banks operating in Malta under passporting rights, which are active in payments transactions. Payment transactions conducted by the Central Bank of Malta are excluded.

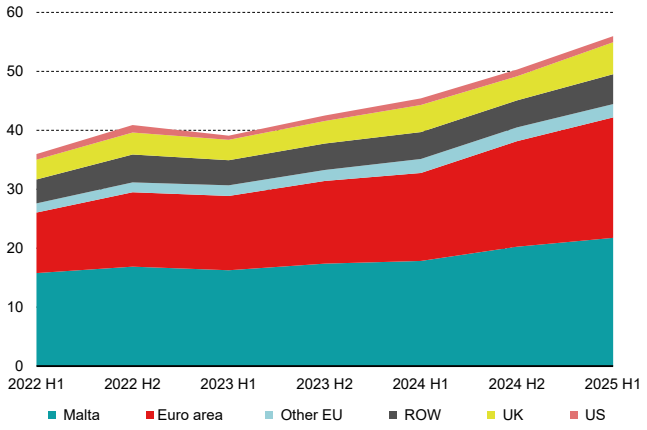
sections, these are primarily driven by e-money institutions facilitating cross-border payments. Card payments account for 6% of the total value, followed closely by cheques at 5%. Money remittances contribute a further 2%, while direct debits remain limited, representing less than 1% of the total value transacted during the period. This distribution underscores the continued reliance on traditional credit transfers, while also reflecting the growing role of e-money and the gradual decline of cheques.

Credit transfers

Credit transfers refer to payment instructions initiated by a payer to transfer funds from their account to that of a beneficiary. These are commonly used for salaries, bill payments, and transfers between individuals or firms.

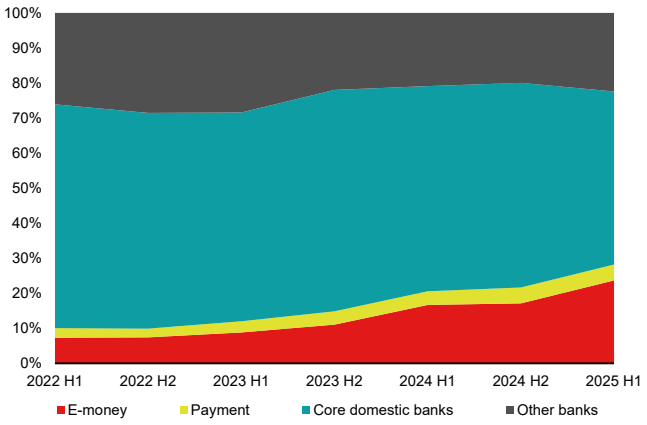
Over the period assessed, credit transfers rose from €36 billion in the first half of 2022[4] to €56 billion by the first half of 2025, representing an increase of 55%, reflecting broader digitalisation trends (see Chart 3b).[5] This was mainly driven by cross-border transactions, largely towards other euro area countries. Domestic transfers also increased, albeit by a slightly slower pace of 38%. On average, throughout the period, around 41% of overall credit transfers were conducted between domestic accounts. Meanwhile, transfers to other euro area countries rose from 29% to 37%. Transfers to the United Kingdom remained stable at around 9%.

Chart 3b
CREDIT TRANSFERS BY LOCATION
(EUR billions)



Source: Central Bank of Malta.

Chart 3c
CREDIT TRANSFERS BY TYPE OF INSTITUTION
(per cent)



Source: Central Bank of Malta.

The types of institutions handling credit transfers has also shifted. While bank accounts remained the dominant source, their share fell from around 90% in H1 2022 to almost 72% in H1 2025 (see Chart 3c). This reflected the growing role of e-money institutions, whose share rose from 7.3%

[4] Due to a change in licensing of one institution which transfers were previously reported as e-money transfers, started to be reported as credit transfers in the early part of the period assessed. To avoid a break in series, these were considered as credit transfers for the entire period.

[5] Similarly, the number of transactions rose from 17.9 million to 26.3 million during the same period.

to 23.7% over the same period, driven by an increase in licensed entities conducting such transfers from nine to 15. Payment institutions also saw modest growth, though their contribution remained limited, with only five institutions reporting such activity.[6,7]

The expansion of e-money and payment institutions was largely concentrated in cross-border business. Only 14.2% and 21.5% of their respective overall credit transfers were conducted with domestic accounts. Consequently, core domestic banks continued to dominate domestic credit transfers, accounting for approximately three-fourths of the total, with other banks contributing around 18%.

Regarding initiation methods, online banking remained the preferred channel, accounting for nearly three-fourths of all credit transfers. Mobile payment solutions gained traction, reaching around 9% of transfers in H1 2025, particularly among other banks.[8] Among electronically initiated transfers,[9] around 70% were conducted through the Single Euro Payments Area (SEPA), with instant credit transfers becoming increasingly prominent, especially via e-money institutions. The remaining share includes 'on-us' intrabank transfers, where both payer and payee accounts are held at the same institution.

With regards to the authentication practices, Strong Customer Authentication (SCA) was applied to 88% of credit transfers, requiring at least two independent factors such as a password and a one-time code. For the remaining transfers, exemptions were primarily due to payments to self, trusted beneficiaries, or secure corporate payment processes or protocols, which accounted for 97.4% of non-SCA cases.

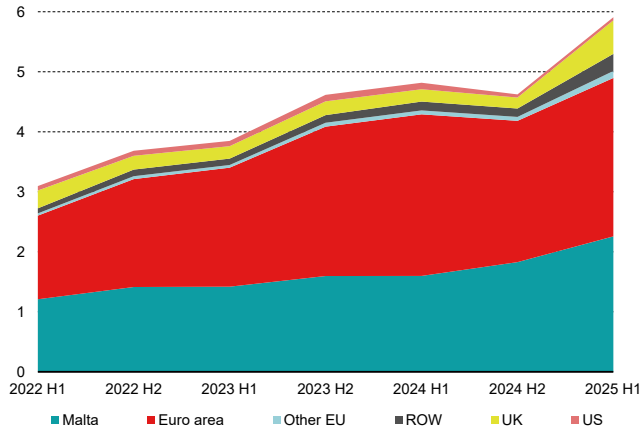
Fraudulent credit transfers reported between January 2022, and June 2025 amounted to almost €19 million, representing just a negligible fraction of total credit transfers. While this figure is low, continued vigilance is essential, particularly as digital channels expand and new players enter the market.

Card payments

Card payments refer to transactions initiated by a cardholder using a debit, credit, or a prepaid card to make a purchase. These include point-of-sale purchases in stores, online e-commerce payments, and payments at terminals.[10]

During the period assessed, card payments almost doubled from €3.1 billion in H1 2022 to €5.9 billion in H1 2025 (see Chart 3d). Such growth was observed across domestic

Chart 3d
CARD PAYMENTS BY LOCATION
(EUR billions)



Source: Central Bank of Malta.

[6] E-money institutions are entities that issue digital money stored electronically, while payment institutions facilitate transactions without holding customer deposits.

[7] Strong differences exist when looking at the volume of transactions. Other banks represent a staggering 71% of the total number of transactions conducted, resulting in the average amount per transaction being of less than €600, while payment institutions represented just 0.2% of the overall transactions conducted, with an average value per transaction of almost €27,000. Meanwhile core domestic banks accounted for 18%, averaging €5,500 per transaction while e-money institutions represented the remaining 10% with an average value of around €2,400.

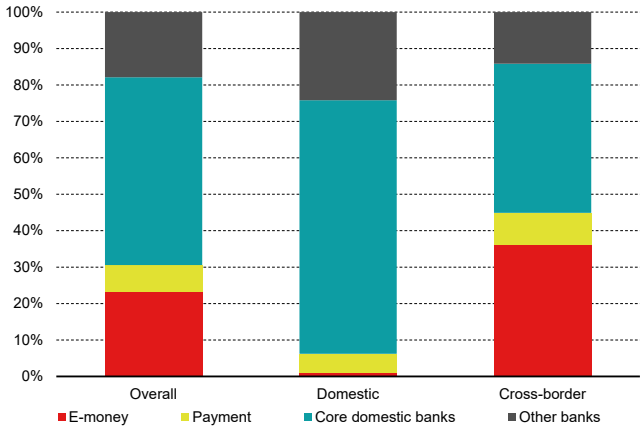
[8] Other common methods include batch transfers and paper-based transfers.

[9] These exclude paper-based transfers.

[10] It is important to note that cash withdrawals are excluded from the data.

and cross-border transactions.[11] However, domestic payments accounted for just 37% of the total card payments transacted in the entire period assessed. The euro area represented half of the overall payments, with the remainder mainly in the United Kingdom. Within the euro area, a significant share of Maltese card payments was processed through Ireland, likely due to the presence of payment processing hubs for popular digital services and platforms.

Chart 3e
CARD PAYMENTS BY TYPE OF INSTITUTION
(per cent)



Source: Central Bank of Malta.

Participation by institutions varied across transaction types. Core domestic banks facilitated just over half of the overall card payments, with other banks contributing 18% (see Chart 3e). E-money institutions played a notable role, accounting for just under a quarter of total value of card payments, while payment institutions made up the remaining share. When focusing on card payments conducted through domestic terminals, the dominance of the banking sector becomes more evident with 70% processed by core domestic banks and 24% by other banks. E-money and payment institutions represented only 6%.

A stark difference emerges in the average transaction value. For domestic terminal payments, e-money and payment institutions reported average values of €166 and €212, respectively, compared to €48 for core domestic banks and just €24 for other banks.[12] This suggests that bank-issued cards are used also more frequently and for smaller, everyday purchases, reinforcing their role in routine consumer activity.

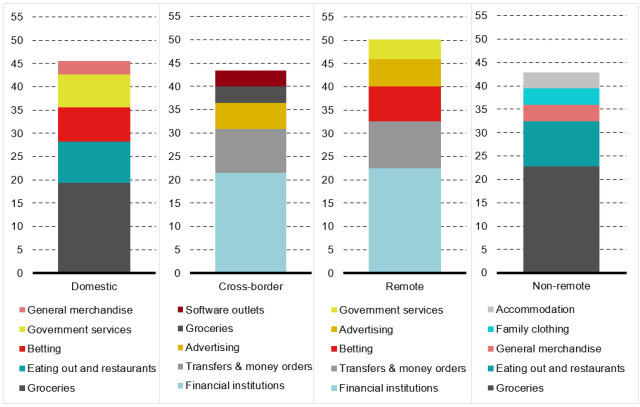
Most card payments were initiated via remote channels, such as online platforms, rather than physical point-of-sale terminals, with a ratio of 6:4. This preference is particularly strong among e-money and payment institutions, where three-fourths of transactions were remote. Remote payments dominated cross-border activity, accounting for nearly 80% of such transactions. Domestic payments were more physical in nature, with only 30% conducted remotely.

The purpose of card payments varied significantly depending on whether the transaction was domestic or cross-border. For domestic payments, the most common categories were groceries and supermarkets (19%), eating out and restaurants (9%), betting[13] (7%), government services (7%), and general merchandise (3%) (see Chart 3f). Notably, the high share of betting transactions was driven by payment institutions. In contrast, cross-border payments were more likely to involve financial institutions, largely for merchandise and services[14] (21%), wire transfers and

[11] The terminal location reflects where the merchant's payment acceptance terminal is registered. For online payments, this is typically the payment processor or acquiring bank's location.
[12] The small average transaction value for other banks reflects the fact that they accounted for almost 41% of the volume of domestic transactions conducted, as opposed to around 24% of the value.
[13] As per PS definition, betting includes lottery tickets, casino gaming chips, off-track betting and wagers at racetracks.
[14] These represent transactions made with or through financial institutions other than regular bank account operations. Examples include funding prepaid cards, fees or service charges paid to financial intermediaries among others.

money orders[15] (10%), advertising services (6%), groceries and supermarkets (4%), and computer software outlets (3%). As expected, differences were also observed between remote and non-remote payments. Non-remote payments were typically associated with everyday purchases such as groceries, restaurants, clothing and accommodation, while remote payments were more likely to involve financial services, betting, advertising and government services.

Chart 3f
TOP FIVE PURPOSES OF CARD PAYMENTS
(per cent)



Source: Central Bank of Malta.

Across all institutions, the most common method for card payments does not actually include the use of the physical card. Indeed, 'other electronic channels' accounted for almost 62% of transactions. These are followed by EFTPOS (Electronic Funds Transfer at Point of Sale) (31%) and mobile payment solutions (7%). Mobile payments have grown significantly, from 2% in H1 2022 to 11% in H1 2025, reflecting increased adoption of app-based payment tools.

Just under half of all card payments were done via an SCA. For the remainder, reasons were often unavailable. International card schemes were the dominant payment schemes, used for 98% of transaction values, with other schemes making up the remaining share.

Fraudulent card transactions during the period amounted to €8.4 million, representing just 0.03% of total card payments. While this share is low, the increasing reliance on remote and cross-border channels underscores the need for continued investment in fraud prevention and cybersecurity.

Direct debits

Direct debits differ from card payments in that they are initiated by the payee, typically a merchant or service provider, rather than the payer. Once an agreement is in place with the account holder, direct debits allow for the automatic settlement of recurring bills and obligations, such as utilities, subscriptions, or loan repayments. This offers a convenient and reliable method for regular payments, reducing the need for manual intervention.

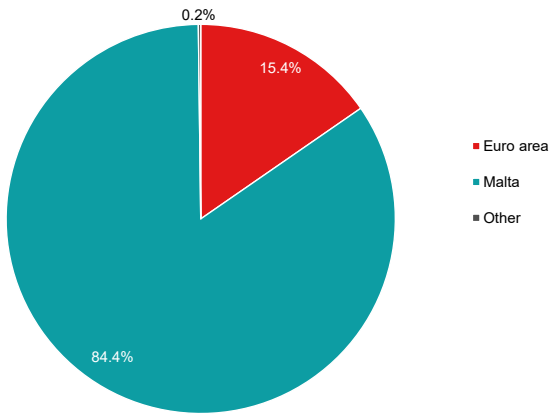
Direct debits sent represent the amount credited to payees' accounts. Over the period under review direct debits remained limited, increasing moderately from €251 million in H1 2022 to €306 million in H1 2025. At 88%, the bulk of these transactions were conducted through the core domestic banks, indicating a strong preference among payees for established banking institutions. Furthermore, 84% of direct debits were domestic, with the remainder largely originating from euro area countries (see Chart 3g).

Although the total value of direct debits increased only moderately, the average transaction value declined significantly from €180 in H1 2022 to €92 in H1 2025, with the number of transactions

[15] This includes instances where cardholders use their card to fund or purchase money transfers, often reflects cross-border remittances. They were common among all type of institutions.

more than doubled from 1.4 million to 3.3 million during the same period. This indicates that direct debits are being used more frequently for smaller payments. This change may reflect increased consumer adoption of automated payment solutions for everyday expenses.

Chart 3g
DIRECT DEBITS BY LOCATION
(per cent)



Source: Central Bank of Malta.

Regarding authorisation, most direct debits were approved via non-electronic mandates, such as signed paper agreements. However, electronic authorisation has gained traction, rising from 29% in H1 2022 to 67% in H1 2025. This trend aligns with broader digitalisation efforts and may contribute to improved efficiency and traceability. Two-thirds of direct debits were conducted within the SEPA core scheme, with the remainder largely consisting of on-us intrabank transactions. This pattern suggests a stable and well-integrated infrastructure for recurring payments, particularly within the domestic banking sector.

Direct debits received which are payments initiated by payees and accepted by payers, also increased, from €177.3 million in H1 2022 to €217.4 million in H1 2025. Over 90% of these funds were withdrawn from the core domestic banks, while 87% of payers were in Malta. This emphasises the central role of core domestic banks in facilitating recurring payments for both consumers and businesses. No fraudulent direct debit transactions were reported during the period, underscoring the reliability and security of this payment method.

E-money

Another type of payment transactions is conducted through electronic money (e-money). This payment method differs from traditional bank deposits and payments as it represents a digital form of money issued by an authorised provider and stored electronically. This allows users to make payments or transfer funds without using cash or traditional bank accounts. Examples of this include prepaid digital wallet or stored-value account, such as online accounts to prepaid cards.

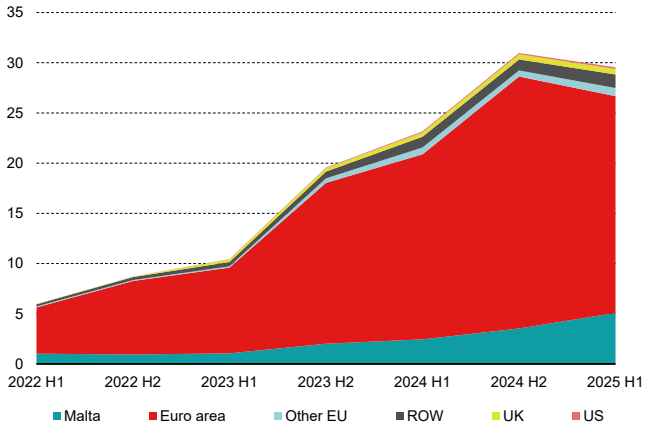
PS data captures e-money payment transactions involving e-money issued by resident payment service providers. These transactions are almost exclusively conducted via e-money institutions. While still relatively small, e-money payments grew significantly, from €6 billion in H1 2022 to almost €30 billion in H1 2025 (see Chart 3h). Similarly, the volume of transactions also rose from 11.4 million to 43.2 million over the same period, with the number of reporting e-money institutions also rising from 13 to 17. Despite this growth, e-money payments remained a fraction of the overall payment activity.

Only 13% of e-money transactions were domestic, with the vast majority conducted cross-border, primarily with other euro area countries. This indicates that e-money is currently more relevant for international transactions than for domestic consumer payments. This is further supported by the fact that the average value of e-money transactions stood at above €600, notably higher than that

of card payments or direct debits.

In terms of payment method, 86% of e-money transactions were conducted from account-based platforms, while the remaining 14% involved cards with stored e-money. SCA was applied to 87% of all e-money payments, with the remainder exempt mainly due to already secure corporate payment protocols.

Chart 3h
E-MONEY BY LOCATION
(EUR billions)



Source: Central Bank of Malta.

Fraudulent e-money transactions reported during the period amounted to €2.3 million, representing just 0.002% of total e-money payments. While this figure is low, the increasing use of e-money, especially in cross-border contexts, warrants continued monitoring and robust oversight.

Other payment services

Other less common payment services are also offered. Cheques, which are exclusively issued by banks, became less frequent, dropping from 1.1 million in H1 2022 to around 700,000 in H1 2025. This drop reflected numerous factors, including the ease of digital payments, and the drive to reduce cheques of small amounts by the introduction of the €20 minimum limit imposed by the Bank's Directive No 19.[16] The value hovered at around €3.8 billion each six-month period, with a drop reported in the first half of 2025. The average value per cheque also rose from €3.3 thousand to €5.0 thousand during the period.

By contrast, money remittances have gained additional popularity doubling from €1.1 billion in H1 2022 to €2.2 billion three years later, largely conducted through e-money institutions. The average value per transaction fluctuated, but stood at around €510. Money remittance facilitates the transfer of money from one person or entity to another, without the specific need of bank accounts from either the payer or payee. Over 90% of these transfers were cross-border. These are generally conducted by individuals, especially migrant workers, to send funds to support family or for business purposes in another country. This is supported by the fact that around three-fourths of cross-border transactions are towards 'extra-EEA' countries.

Other payment services not otherwise classified are limited to an average of just €267 million every six months and largely conducted by banks.

Financial stability and concluding remarks

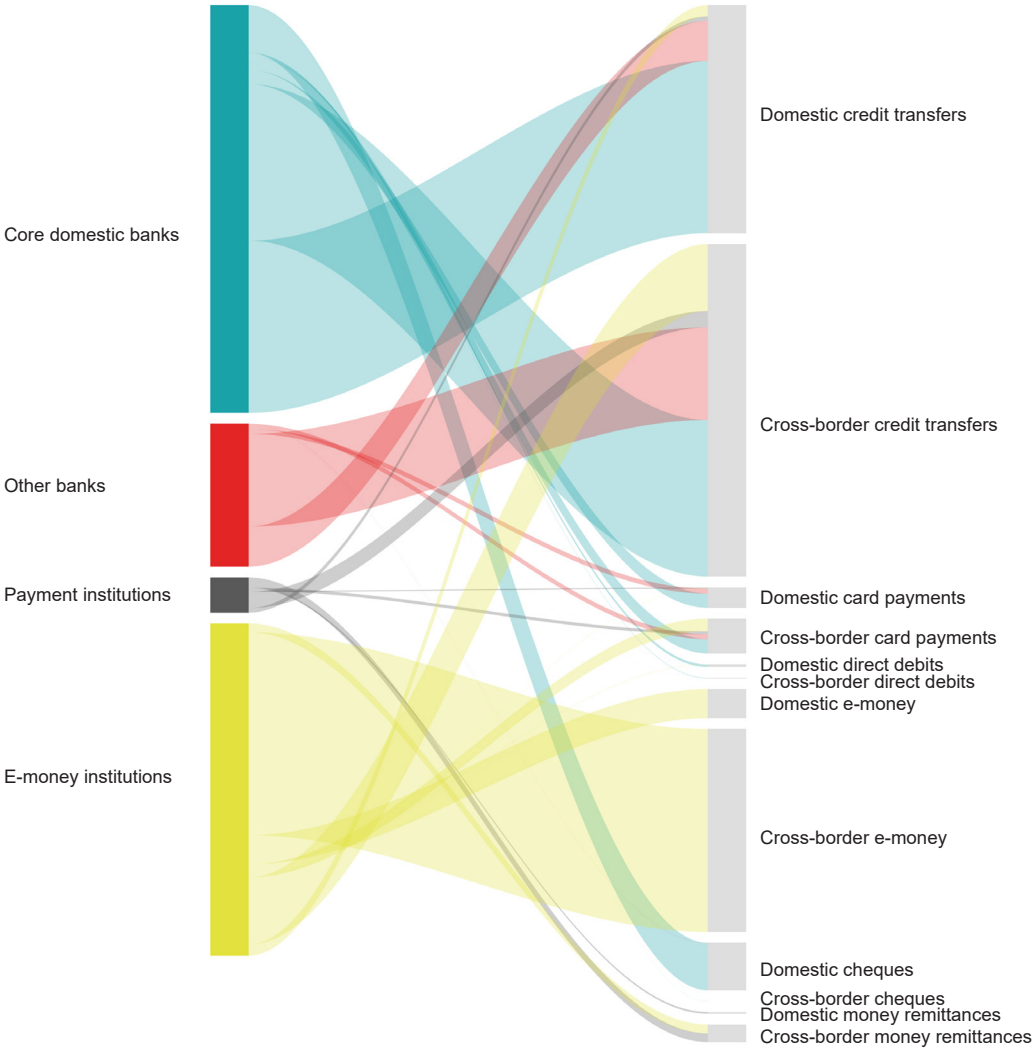
The updated PS framework highlights a Maltese payments market that is diversifying at a rapid pace. Core domestic banks continue to play a central role, especially in both domestic and cross-border credit transfers, direct debits, card payments and cheques. This highlights their centrality in traditional payment infrastructures. Other banks also play a significant role in cross-border transfers,

[16] Cassar (2025) provides a longer time series analysis of developments surrounding cheques in Box 2: The Usage of Cheques within the Central Bank of Malta, *Quarterly Review* 2025:3.

though with less weight in domestic payments. Yet, the growing presence of e-money and payment institutions is shifting the balance, especially in cross-border activity. Figure 3a also shows how disruptions in any one group could have differentiated systemic implications depending on the payment instrument affected.

Credit transfers have expanded significantly, with e-money institutions capturing market share particularly in international transactions. Card payments have almost doubled, driven by online channels and non-bank providers. Direct debits remain limited and concentrated within banks, but usage is increasing, and digital mandates are becoming more common. E-money payments grew exponentially, marked by high average transaction values and a strong cross-border orientation. Money remittances are also becoming more popular, especially for third-country transactions.

Figure 3a
FLOW OF PAYMENT TRANSACTIONS



Source: Central Bank of Malta.

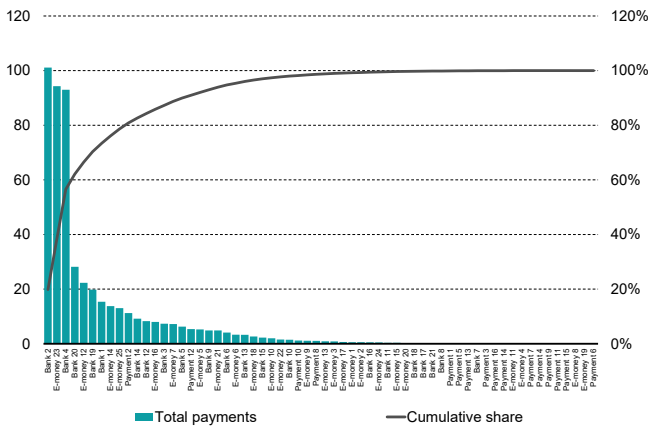
From a financial stability perspective, the evolving payments landscape brings both benefits and risks. A wider range of providers and channels can enhance efficiency, broaden consumer choice and spur innovation through new products and services. At the same time, this diversification increases complexity of oversight and introduced fresh challenges for risk management.

As payment services become more digital and interconnected, the risk of cyberattacks or operational failures with systemic impact increases, standing out as key concerns. Growing reliance on third-party service providers, cloud platforms, and cross-border processing hubs add additional layers of vulnerabilities, particularly around outsourcing of key processes and data handling. A cyber incident at a major payment processor or a cloud service provider could disrupt multiple institutions simultaneously, with knock-on effects for liquidity and settlement. To mitigate these risks, payment service providers need strong operational resilience frameworks, including clear contingency plans, incident response protocols, and regular stress testing. These requirements are increasingly being formalised under regulatory frameworks such as the DORA, which applies to both banks and non-bank payment service providers.

Concentration risk is another key consideration in assessing the resilience of the payments' ecosystem. The Herfindahl-Hirschman Index (HHI) suggests a moderately concentrated market at about 1,180. However, this reflects the presence of a large number of smaller entities with relatively low transaction values. Indeed, as illustrated in Chart 3i, a small number of institutions account for a significant share of transaction values. The top three entities alone handle over half of all payment transactions, with the top 10 account for around 80%. This reliance on a limited number of major providers introduces systemic vulnerabilities. An operational failure, cyber incident or disruption at a single provider could have outsized effects on the broader system. The risk is amplified by Malta's dependence on international processors, cross-border platforms, and fintech providers. For example, an outage at a major card scheme or payment processor, or a disruption in another jurisdiction, whether due to a technical failure, a legal dispute, or geopolitical tension, could have cascading effects on domestic payments, liquidity flows and consumer confidence. A further concern would be the emergence of liquidity sinkholes, that is situations where payment disruptions concentrate settlement flows in a few institutions, potentially straining their liquidity and causing systemic delays. This could amplify funding pressures and lead to payment gridlock during periods of stress. These dynamics underscore the importance of robust oversight, strong third-party risk management, and effective contingency planning, particularly for entities handling large transaction volumes. Regular monitoring of market shares and critical service dependencies to identify emerging systemic risks is also essential.

Concurrently, the rapid growth of e-money and payment institutions also highlights the importance of proportionate but comprehensive supervision. Although these players fall outside the traditional banking model, they could grow to the extent that they

Chart 3i
OVERALL PAYMENTS BY INSTITUTIONS
(EUR billions; per cent)



Source: Central Bank of Malta.

become systemically important. To ensure financial stability, oversight should cover risk management, capital adequacy, and operational resilience.

Survey evidence also points to a generational divide in payment preferences. Older individuals remain more reliant on cash and less engaged with digital channels. This digital divide raises inclusion challenges, particularly if traditional payment methods were disrupted.[17] While fraud levels remain low, the increasing use of remote and digital channels makes fraud prevention, dispute resolution, transparency and customer awareness important to maintain trust.

In sum, Malta's payment ecosystem is undergoing a structural transformation, bringing with it efficiency and innovation, but also new risks. Ongoing monitoring, supervisory engagement, and a continued focus on resilience will be key to ensure that payment systems support financial stability. An avenue for future research could involve assessing TARGET System data which would enable intra-institutional transaction-level flow analysis. This would provide insights not only into concentration patterns but also taking into consideration inter-dependencies.

[17] This box complements recent survey-based research on payment habits in Malta, which explores consumer preferences and behavioural trends in payment usage. Savo, S. and Galea, B.L. (2025), Analysis of the Payment Habits in Malta, *Working Paper* 3/25.