



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

## THE USAGE OF CHEQUES IN MALTA

## BOX 2: THE USAGE OF CHEQUES IN MALTA<sup>1</sup>

### Introduction

Cheques are one of the oldest non-cash paper-based payment instruments used in financial systems worldwide. Although the use of cheques has declined in recent years due to the rise of electronic and digital payment methods, such instruments continue to play a role, particularly for business transactions, government disbursements, and in contexts where digital access is limited. This box explores the role, usage trends, and regulatory developments surrounding cheques, with a specific focus on their evolution in Malta.

This box focuses primarily on cheques which have been negotiated by Malta Clearing House (MCH) participants between 2015 and 2024. The MCH is responsible for the clearing and settlement of cheques between institutions in Malta, ensuring that cheque payments are processed efficiently, securely, and within the established timeframes. This process facilitates the seamless exchange of funds between financial institutions.

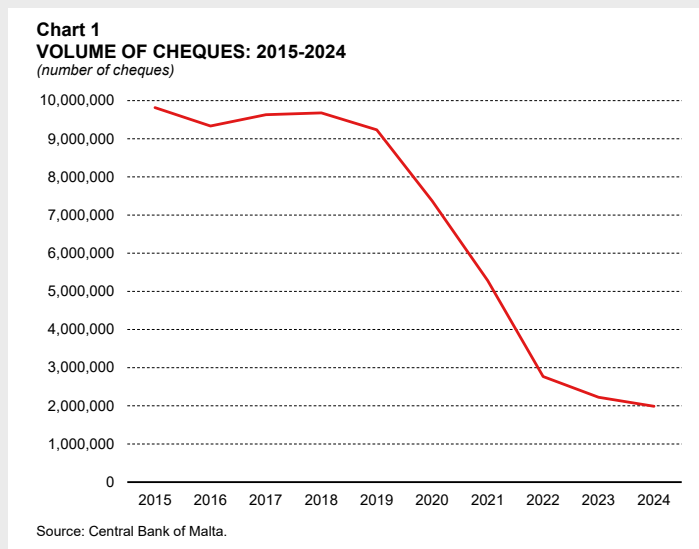
### A ten-year analysis

#### Volume

Chart 1 illustrates the total volume of cheques over a ten-year period, spanning from 2015 to 2024. It shows that after a stable period between 2015 and 2019, cheque volumes embarked on a sharp decline after 2019, dropping from over nine million cheques in the previous five years to less than two million by 2024.

#### Value

Similarly, in terms of value, the issuance of cheques peaked in 2019 at just under €18 billion, and thereafter embarked on a downward trend, as



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shown in Chart 2, falling to just €7.5 million by 2024, equivalent to less than half of the peak in 2019.

### Average value per cheque

While both the volume and value of cheques have declined after 2019, the average value per cheque has more than doubled during the period under review. Chart 3 shows that the average value per cheque, has increased from €1,495 in 2015 to €3,775 by 2024.

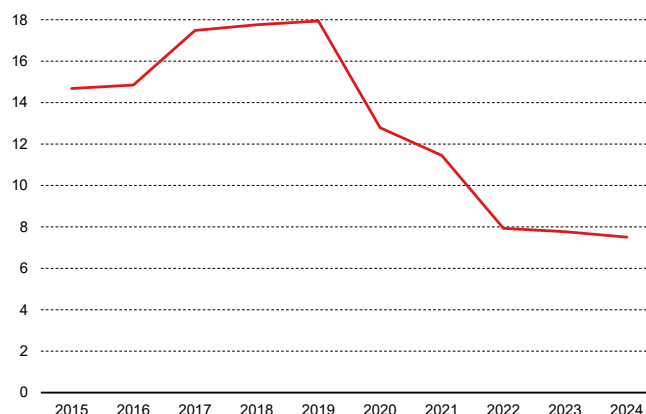
This trend indicates that cheques are increasingly being used for higher-value transactions. This has been largely driven by the issuance of Directive No. 19 by the Central Bank of Malta in July of 2021, effective as from January 2022, where a minimum threshold of €20 was introduced to abolish very low value payments by cheque, thus raising the average value of cheques, apart from a significant reduction in volumes in 2022, which were almost halved over the previous year.

### Government cheques

Historically, the Government of Malta issued cheques for a wide range of payments, including social benefits, pensions, salary disbursements, tax refunds, and payments to contractors. Effecting such payments through cheque issuance involved manual processing of significant volumes of such paper-based instrument issued by various Government departments.

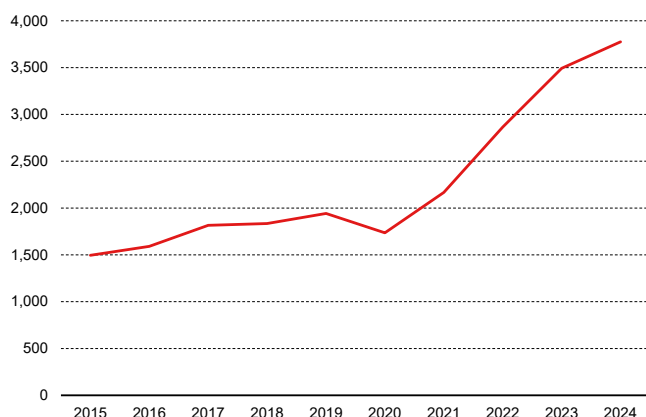
However, the Government has overhauled its payment methods as it shifted towards electronic payment systems such as credit transfers, direct debits and mobile payments.

**Chart 2**  
**VALUE OF CHEQUES: 2015-2024**  
(EUR, billions)



Source: Central Bank of Malta.

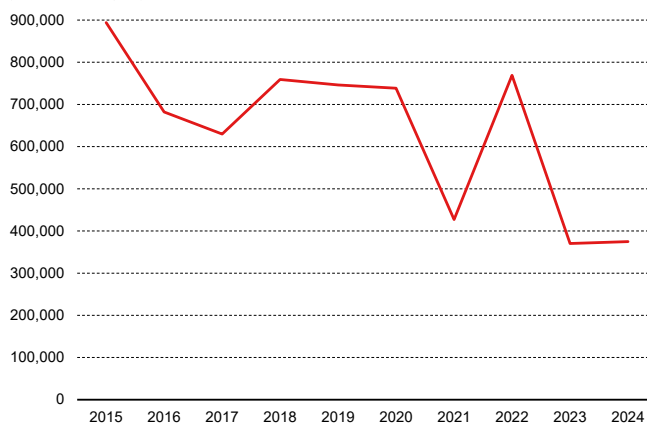
**Chart 3**  
**AVERAGE VALUE PER CHEQUE: 2015-2024**  
(EUR)



Source: Central Bank of Malta.

The decrease in volume is shown in Chart 4 whereby the volume decreased from 893,989 in 2015 to 374,728 in 2024. It is worth mentioning that the spike in 2022 was due to budgetary measures introduced by the government, more specifically the issuance of two types of cheques to eligible individuals. One to ease the burden of inflation and the other as a tax rebate.

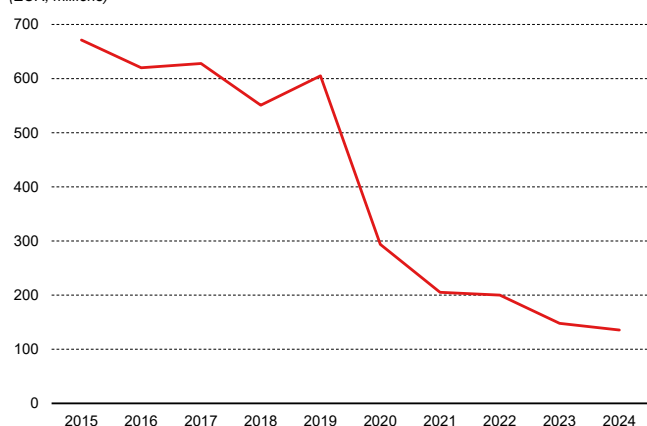
**Chart 4**  
**VOLUME OF GOVERNMENT CHEQUES: 2015-2024**  
(number of cheques)



Source: Central Bank of Malta.

According to the information provided by the Treasury Department, during 2022 the Government issued a total of 680,000 cheques in line with the announced budgetary measures. Of these, 615,094 cheques were encashed or deposited, resulting in an encashment rate of 90.5%.

**Chart 5**  
**VALUE OF GOVERNMENT CHEQUES: 2015-2024**  
(EUR, millions)



Source: Central Bank of Malta.

As expected, the value of Government cheques has experienced a significant decline in recent

years (see Chart 5). The total value of cheque issuance decreased markedly from €671.2m in 2015 to €135.5m in 2024, representing a fifth of the issuance in 2015. Notably, there was a sharp drop between 2019 and 2020 as shown in Chart 5, amounting to a 51.5% decrease. The reason behind the sharp decline in the value of Government cheques for 2020 was due to the fact that Government cheque payments were shifted to electronic means of payment. However, the volume did not reflect this sharp drop because of the issuance of more than 200,000 budgetary measure cheques that had a lower value than the previous cheque payments that were shifted to electronic means.

### The cost of cheques

This section examines two perspectives on the costs associated with cheques, these being costs borne by individuals and costs incurred by institutions to process such cheques.

From the consumer's standpoint, Maltese commercial banks have implemented a range of fees related to cheque usage. These include charges for cheque book issuance, returned cheques, high-volume cheque issuance, and cheque encashment by non-customers. Such fees are not universal given that these vary across different credit institutions. In the case of local banks, individuals may incur various charges, such as fees for cheque-related offences (like cheques referred to or drawn against insufficient funds, which range from €5 to €75. Additional fees include cheque encashment for non-account holders, ranging from €3 to €10, and cheque book order fees, which typically range from €1.50 to €3.50. Additionally, individuals can face regulatory penalties for misuse of cheques.

Costs incurred by credit institutions involve: (a) administrative expenses (including salaries paid to employees working within the clearing section); (b) the investment costs in relation to the maintenance of any processing infrastructures; and (c) contractual expenses for the outsourcing of cheque processing, if any. Following an exercise with cheque issuing banks, it transpires that the average cost incurred to issue cheques amounts to €0.79 per cheque. In addition to direct costs, cheque usage also incurs various indirect costs. These include extended processing times, manual reconciliation efforts, increased risk of fraud, and the potential for lost or delayed payments. Environmental impacts and logistical costs related to paper-based processing and physical transportation also contribute to the overall inefficiency of cheque transactions.

### **Reasons behind the decrease in cheques**

This analysis shows that there has been a significant decline in the use of cheques in Malta. This trend can be attributed to several factors. This section of the box will delve into the likely factors behind the decrease in volumes and values of cheques.

#### *Increased use of mobile and online banking*

Mobile and online banking have rapidly expanded and may have contributed to the decline in cheque use. In Malta, several credit institutions offer services that make it easy to complete transactions through a smartphone. The rise of global digital wallets and payment platforms has further accelerated this shift by offering faster and more convenient payment options.

The introduction of fintech companies and neo-banks has also transformed the payment landscape. These digital-first institutions provide seamless, app-based services that prioritize speed, accessibility, security of payment, and user experience, features that traditional cheque payments lack. As a result, more consumers and businesses are embracing these innovative alternatives rather than continuing making use of paper-based methods like cheques.

#### *Generational and behavioural shifts*

Younger generations, particularly those who have grown up with digital technology, are much more inclined to adopt electronic payment methods rather than relying on cheques. Millennials and Generation Z are comfortable using mobile apps and digital wallets for their transactions, further contributing to the decline in cheque usage. These generations prioritize convenience and speed, and the need to write and deposit cheques is increasingly

seen as an outdated and inefficient process. This was confirmed by the Payment Habits Survey<sup>1</sup> which the Central Bank of Malta conducted in 2024 to analyse the payment habits by Maltese residents in Malta.

As the demand for contactless payments continues to grow, instant payments and digital solutions are becoming increasingly the go-to methods in Malta. The ease of use, combined with the added convenience of immediate settlement, has led to a broader societal shift towards cashless payments, leaving cheques behind.

### *Security and fraud concerns with cheques*

Cheques have long been susceptible to various forms of fraud, such as cheque washing, theft, and alterations. As digital payments rise, consumers and businesses in Malta are opting for more secure options. The Payment Services Directive 2 (PSD2) which is transposed in CBM Directive No. 1 has introduced stronger security like two-factor authentication and encryption, making digital transactions more trustworthy.

Digital payments also offer better traceability and real-time tracking, providing greater transparency. In contrast, cheques lack immediate confirmation and can be delayed or lost, making them less appealing in today's fast-paced, digital financial environment.

### *Introduction of Central Bank of Malta Directive No. 19*

CBM Directive No. 19 which came into effect on 1 January 2022, regulates the use of cheques and bank drafts. The Directive was issued by the Central Bank of Malta aiming to reduce cheques and minimize the misuse of such payment instrument. The main changes brought about by Directive No. 19 include:

- Cheques must not be post-dated; however, if they are, banks may still process them upon presentation before the stated date.
- Cheques payable to natural persons exceeding €5,000 must be deposited directly into the account of the named beneficiary, while cheques of any amount payable to corporates and legal persons are to be deposited.
- Cheques cannot be issued for amounts of €20 or less.
- Cheque issuance facilities may be suspended if a person repeatedly issues cheques that are not honoured.
- Anyone who violates these rules may face penalties of up to €200 for each breach.

The implementation of this Directive aims to reduce the risk of these paper-based instruments being used for money laundering. Furthermore, it will bring a lasting transformation to Malta's payment landscape, encouraging a move towards more efficient electronic payment methods.

### *Cost of handling cheques*

The cost of handling cheques has also driven their decline. As indicated above, institutions charge fees for services like cheque processing, issuance, and deposits. These costs,

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<sup>1</sup> Savo, S. and Galea, B. (2025), "[Analysis of the Payment Habits in Malta](#)", Central Bank of Malta Working Paper 3/25.

along with the time and effort involved, make cheques less appealing than faster, digital payments like Single Euro Payments Area (SEPA) instant credit transfers.

For businesses, managing cheque payments can be cumbersome, requiring manual processing and reconciliation, which takes more time and resources. In contrast, instant payments offer a streamlined, automated process that reduces the administrative burden, making them a more attractive option.

### Conclusion

In conclusion, the usage of cheques in Malta has experienced a notable decline in recent years, driven by the widespread adoption of digital payment methods and evolving regulatory frameworks. The shift towards instant payments, SEPA transfers, and mobile banking solutions will continue to significantly reduce the reliance on traditional paper-based instruments.

While cheques continue to serve specific purposes, their usage is steadily declining as consumers and businesses increasingly prefer faster, more secure, and more convenient electronic payment methods. Nevertheless, cheque usage in Malta still remains relatively high compared to other European countries. The Government continues to be a main issuer of cheques, which are particularly used for tax rebates and incentives. Further measures may therefore be needed to discourage cheque usage given their inherent inefficiencies when compared to electronic alternatives.

In this context, a follow-up analysis to assess the impact of the implementation of Regulation (EU) 2024/886 on instant credit transfers in Malta is warranted. This Regulation mandates banks and financial institutions that offer traditional credit transfers to also provide instant payment services, enabling consumers to make immediate payments across all institutions. As one of the perceived advantages of cheques has traditionally been the notion of immediate settlement – though this is not always the case – the widespread availability of instant payments will offer a superior electronic alternative, further reducing the relevance of cheques. Instant payments are being mandated by the updated SEPA Regulation,<sup>2</sup> whereby banks are obliged to offer the service of instant payments by October 2025, while financial institutions are obliged to do so by April 2027.

Such policy direction, coupled with the embracement of a modern payment infrastructure, Malta can accelerate its progress towards a more efficient payments ecosystem.

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<sup>2</sup> Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No. 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro.