



Payments in Malta: An Analysis of the Current Situation and Way Forward



Central Bank of Malta
31 October 2019



National Strategy for Electronic Payments

Undertaken a wide consultation of the market under the National Strategy for Electronic Payments:

- there is over reliance on the use of cash and cheques;
- cross subsidisation by service providers is having a detrimental effect on efficiency;
- the mix of payment products does not address adequately the full range of stakeholder needs;
- for face to face transactions the infrastructure currently available is inadequate;
- for e-commerce transactions more competition is required and options are limited;
- inter-bank infrastructure needs further investment and wider participation.



Regulatory Actions

A number of regulatory actions were taken over the last 10 years intended to increase competition by:

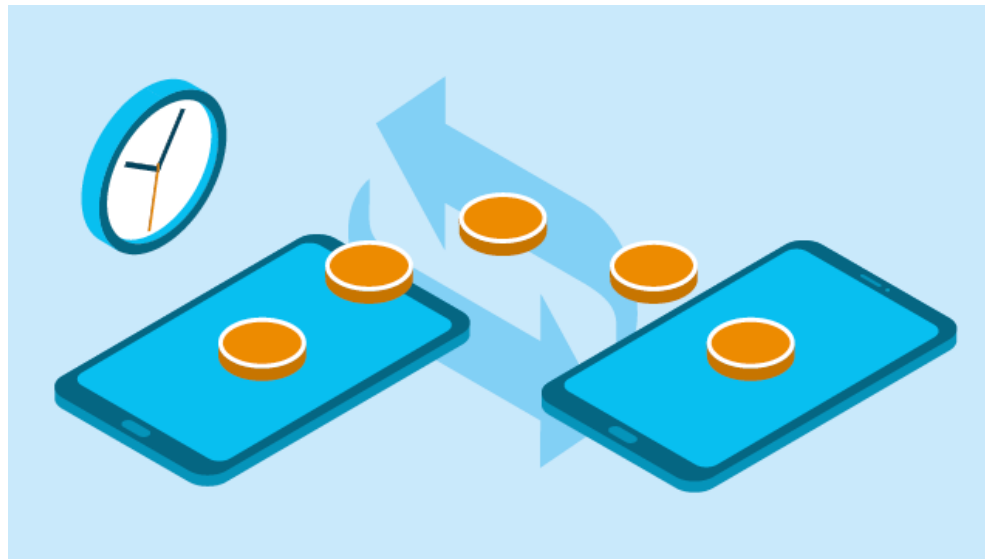
- introducing payment institutions;
- SEPA initiatives which effectively delivered credit transfer and direct debit products across euroland;
- introduction of a wider set of players from the EU through passporting;
- widening the regulatory regime fostering payment services providers, such as fintechs;
- open banking – an opportunity for more innovation addressing end users' needs;
- stepped up assurance around payment products thus addressing consumer confidence.



Challenges

The forthcoming challenges for the payments infrastructure:

- enabling instant payments in face to face transactions at the retail level;
- developing the interbank infrastructure to route payments and settle obligations;
- Reducing reliance on cash and cheques.





CBM Services

The present mix of euro payment services being provided by the CBM to the financial services providers:

- TARGET2 for real-time settlement of bank to bank payments, including customer payments;
- TARGET2 Securities (T2S);
- TARGET Instant Payment Settlement (TIPS);
- Malta Clearing House for cheques;
- Services being implemented retail payments clearing:
 - credit transfers from April 2020;
 - direct debits from August 2020;
 - instant payments from December 2020.





Payment Habits in Malta





Introduction

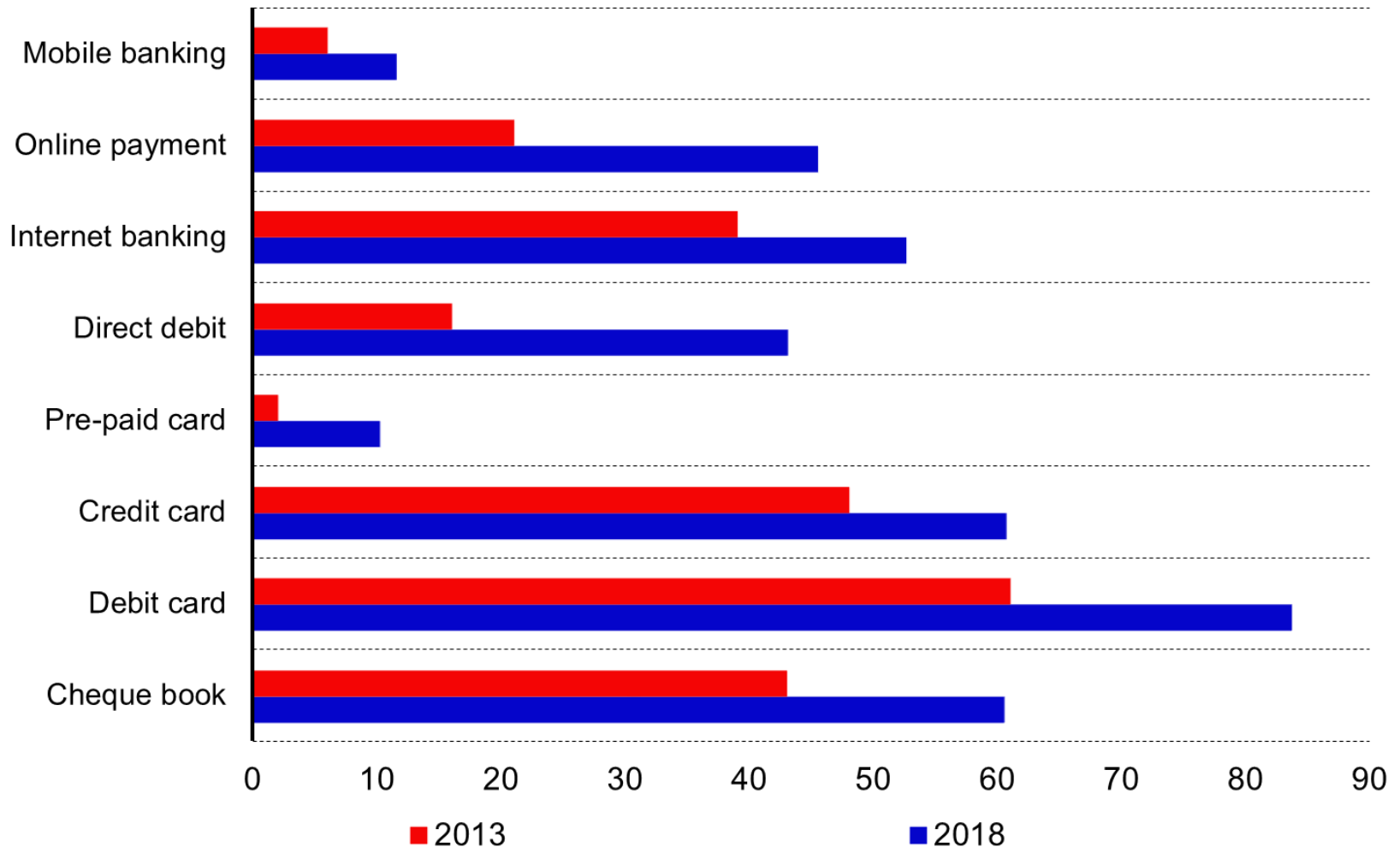
A payment habits survey was carried out in 2018 with the aim of better understanding the trends and developments of payment habits in Malta. The survey followed a similar survey carried out in 2013:

- 1,118 respondents from 500 household contributed towards the compilation of the data;
- a questionnaire and a payment diary;
- the survey focused on the current usage of payment instruments and their usage in the next five years.





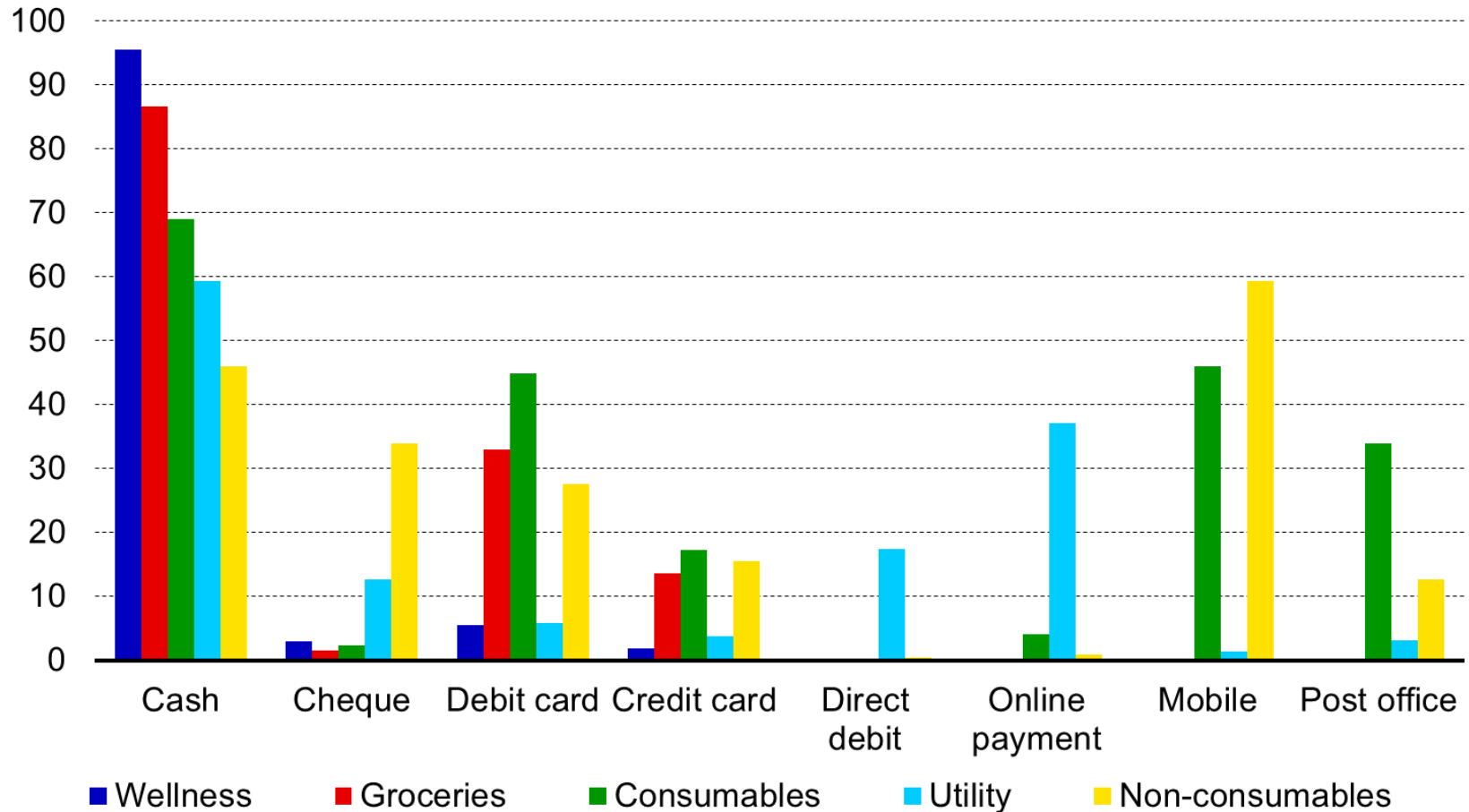
Comparison of Accessibility of Different Payment Instruments/Channels between 2013 and 2018



Source: Central Bank of Malta calculations.



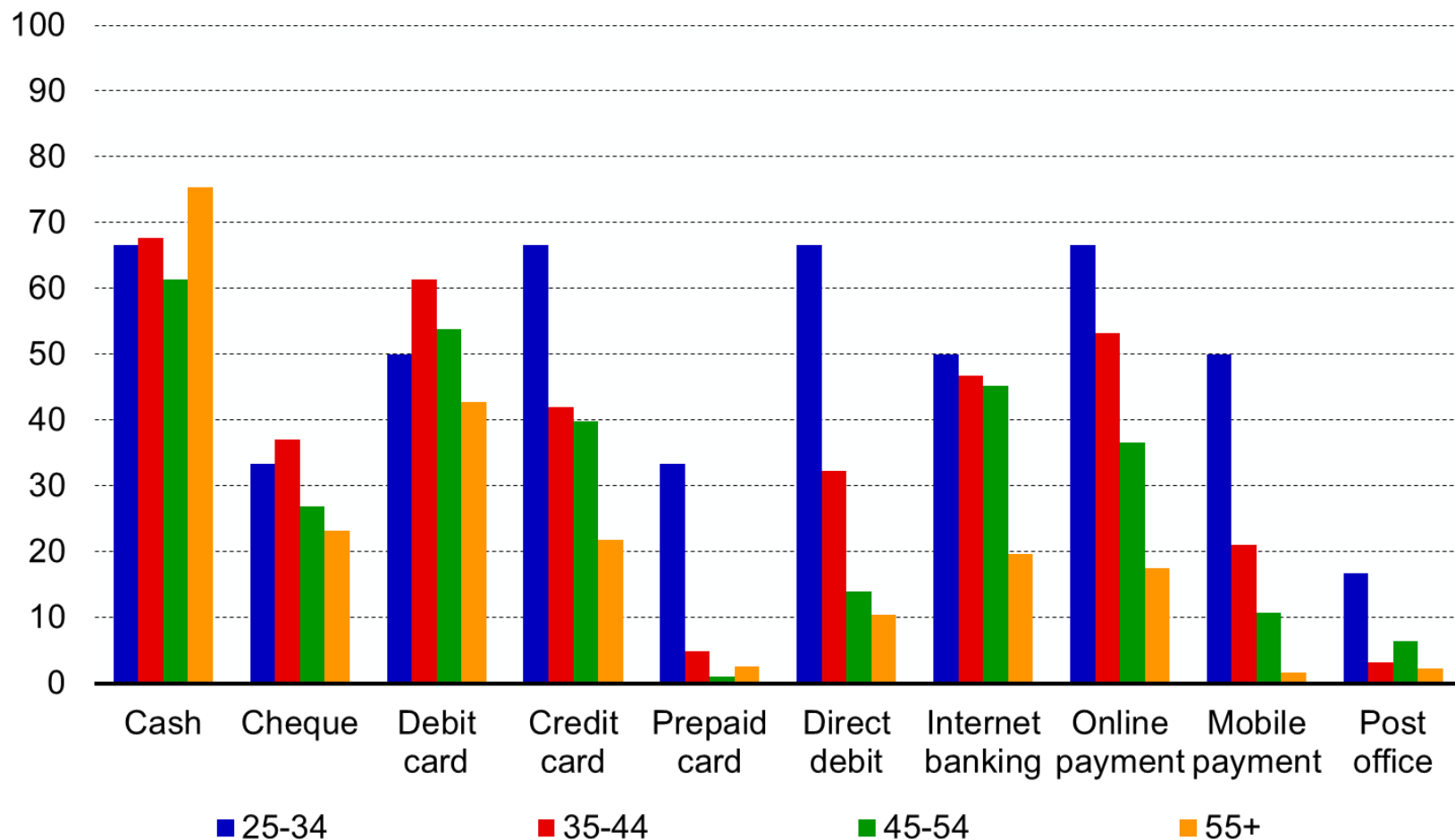
Purchase of Goods and Services by Payment Instruments/Channels and Category



Source: Central Bank of Malta calculations.



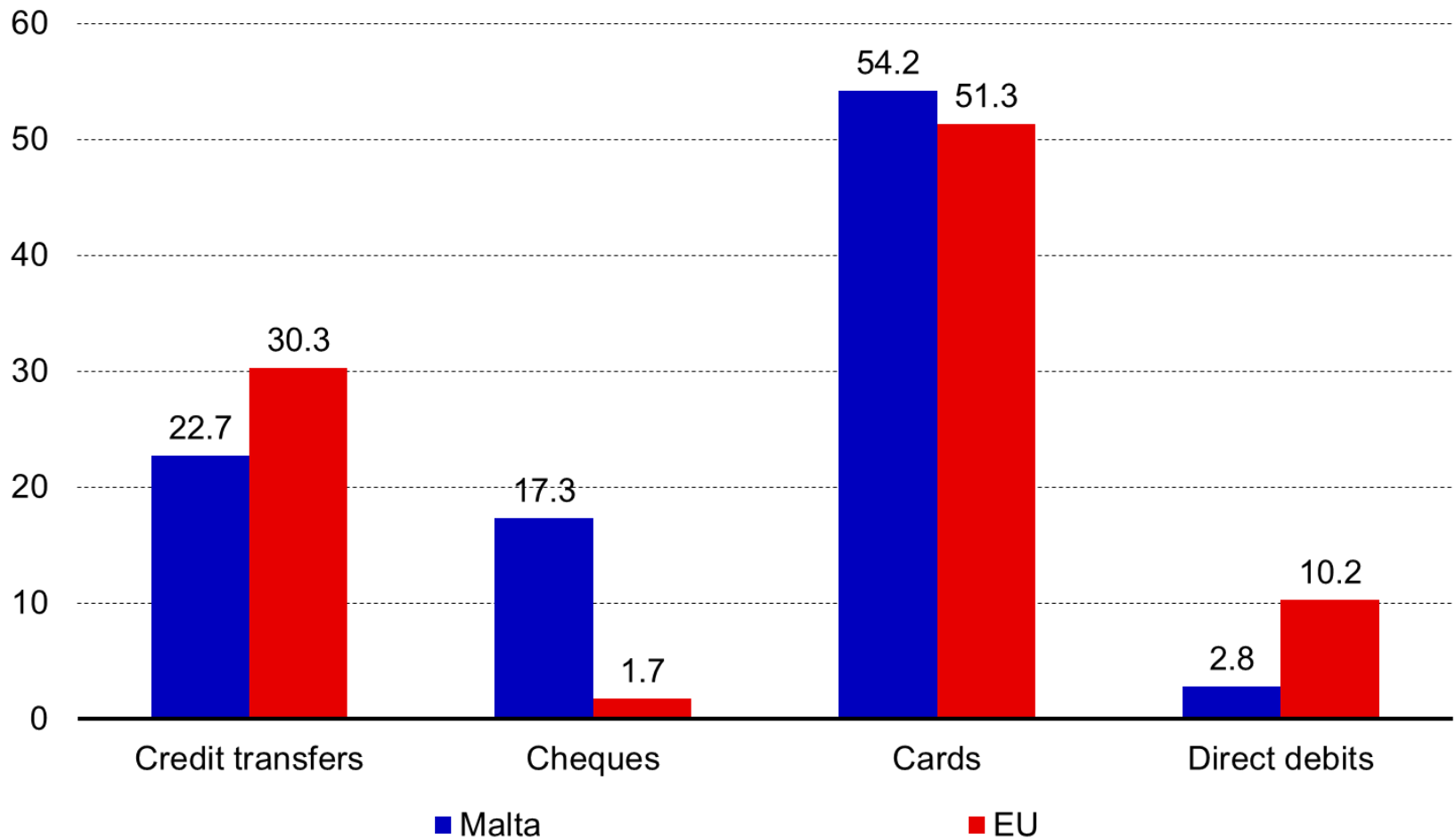
Usage of Payment Instruments/Channels in the Next Five Years



Source: Central Bank of Malta calculations.



Relative Importance of Main Payment Instruments Other Than Cash in Malta and the EU



Source: ECB.



Security of Payment Instruments

The survey also reveals that there seems to be lack of knowledge with regards to the security element of each payment instrument against permanent financial loss or unwanted disclosure of personal information:

Cash:

- 46.0% of households in this survey said that cash is a secure or very secure payment instrument;
- 27.4% said that cash was neither risky nor secure;
- 26.6% did not know.





Security of Payment Instruments

Cheques:

- 50.0% of households said that cheques are secure or very secure and only;
- 4.8% considered cheques to be risky or very risky;
- with the remaining 45.2% being either unsure or did not know.

Debit and Credit Cards:

- 53.0% of households said that debit cards are secure or very secure;
- 35.4% did not really know how risky they are;
- the remaining 11.6% did not answer.





Outcome of the Survey and Way Forward

Outcome:

- cash remains the primary payment method in Malta;
- reluctance by the general public to change payment habits;
- there maybe lack of acceptance of other payment instruments by the business community;
- spending patterns amongst households.

Way Forward:

- young generation is exposed to different payment instruments and this may change the payment habits;
- across the island there are 15,580 POSs however this may not be enough and we should seek other payment alternatives (like direct debits for recurring payments);
- a nationwide educational campaign highlighting the benefits of modern means of payment.



Revised Payment Services Directive (PSD2)



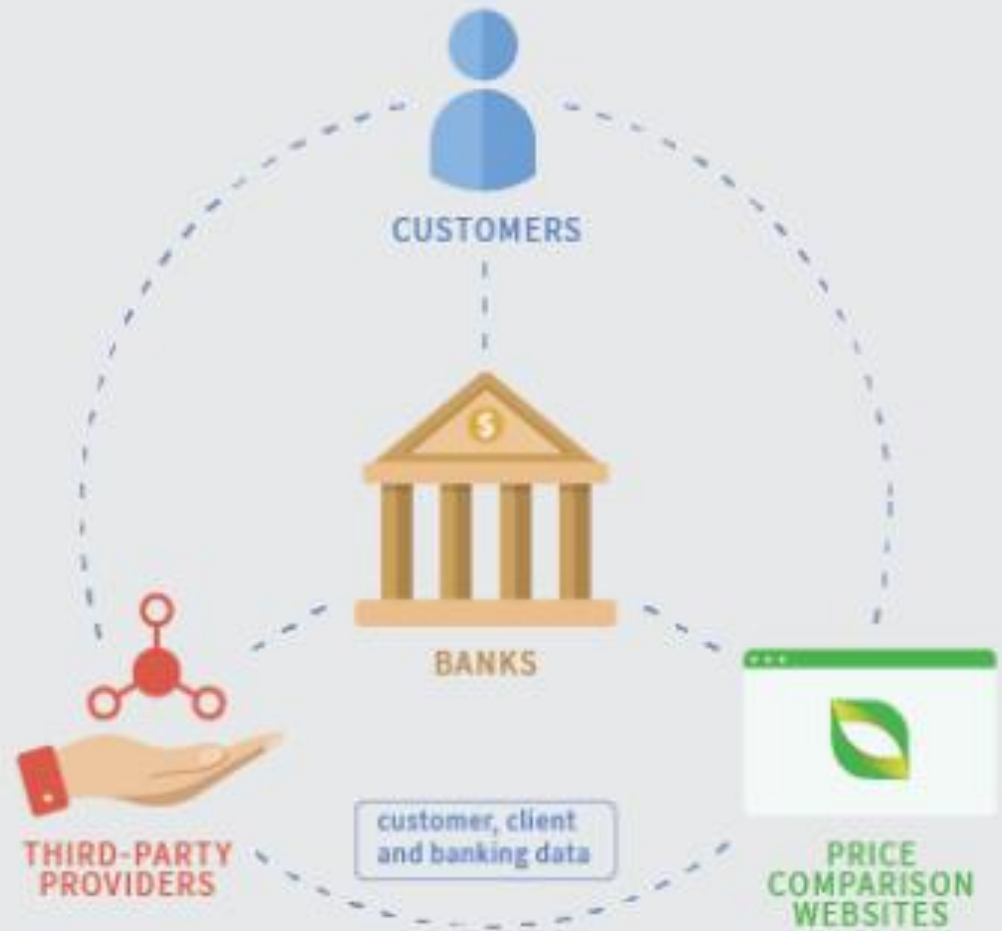


What is Open Banking?

Closed banking



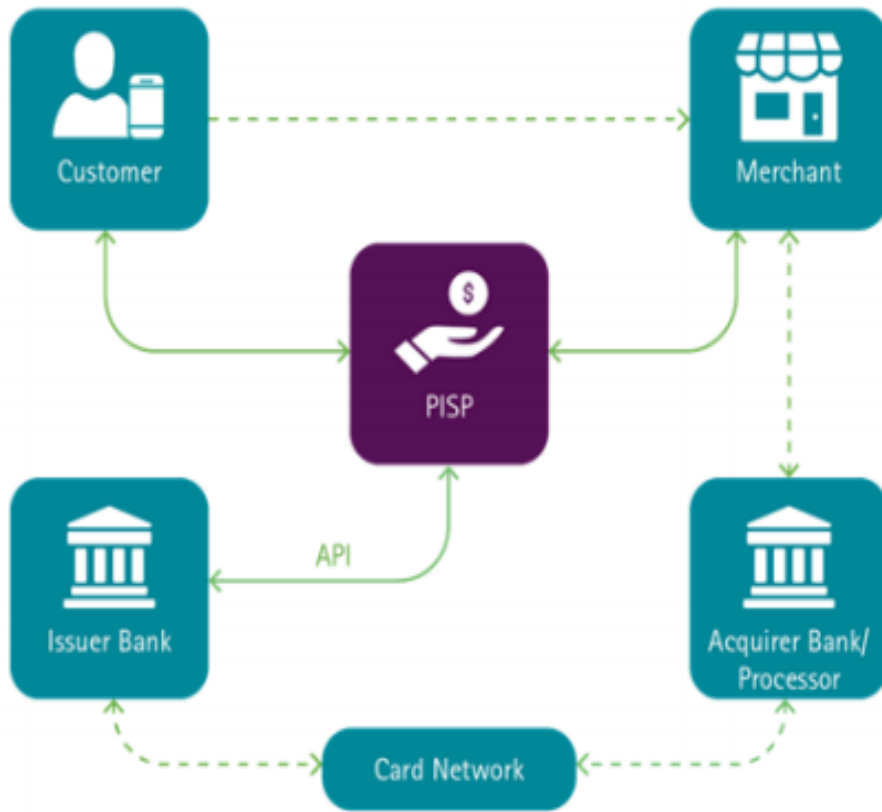
Open banking



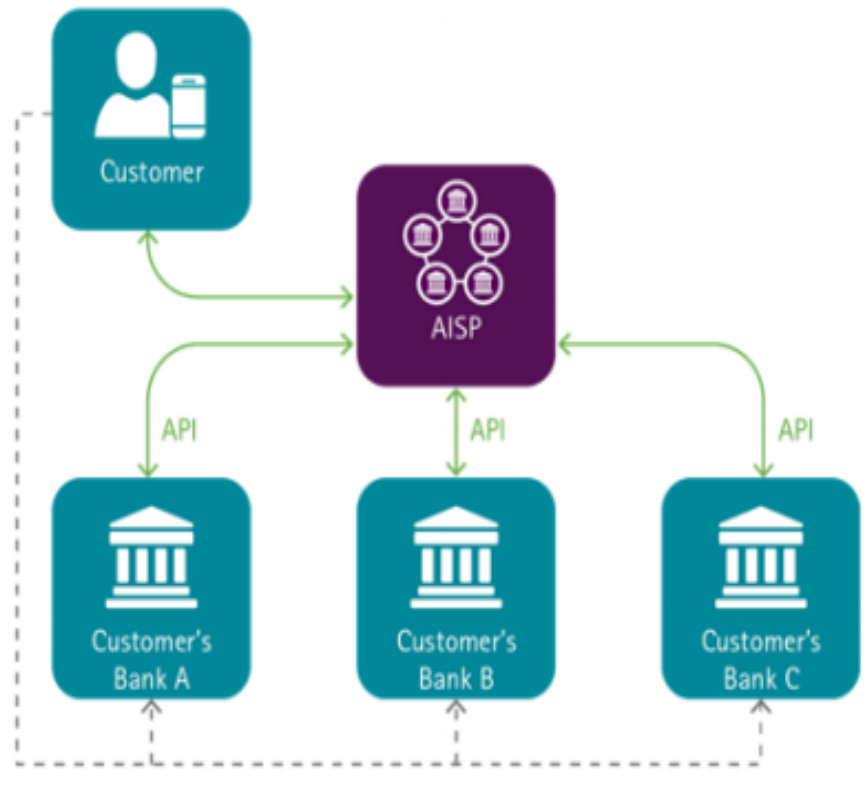


Third Party Providers

AN UPDATED PAYMENT MODEL INCLUDING A PAYMENT INITIATION SERVICE PROVIDER (PISP)



AN UPDATED INTERACTION MODEL INCLUDING AN ACCOUNT INFORMATION SERVICE PROVIDER (AISP)





New Services Facilitated by Open Banking

- Viewing of account balances in one dashboard – unified statement;
- Sharing your bank account information with your financial accountant;
- Pricing notifications;
- Alternative payment means to cards.





Strong Customer Authentication



Strong Customer Authentication

- One POS machine which accepts all domestic-issued cards;
- Reduce barriers to entry in the acquiring space;
- Lower costs for merchants.

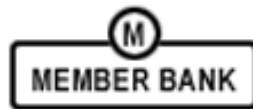




Strong Customer Authentication



Strong Customer Authentication



Added Protection

Please submit your Verified by Visa password.

Merchant: Dev Center Merchant

Amount: **\$58.99**

Date: 07/11/2019

Card Number: *****0002

Personal Message: Password is "1234"

User Name: **test1**

Password:

[New User / Forgot your password?](#)

[Exit](#)

Please submit your SecureCode™.

[I am not enrolled in MasterCard SecureCode](#)

Merchant: Merchant

Amount: 100.00 USD

Date: 01/17/2012

Card Number: XXXX-XXXX-XXXX-5275

Personal Greeting: Welcome

Login Name:

SecureCode:

[Forgot your SecureCode?](#)

[Cancel](#)

This information is not shared with the merchant.

