



Introducing CBM Directive No. 19 on the use of Cheques and Bank Drafts

Gianella Azzopardi

Central Bank of Malta

13 May 2021



Background and Introduction

Definitions

Scope

General rules

Other rules for institutions

Penalties and Dispute Resolution





- 2020 data shows that Maltese remain heavy users of paper-based payment instruments;
- Steering Committee on the National Strategy for Electronic Payments produced a report outlining several recommendations that can facilitate shifts in consumer behaviour when effecting payments;

Implementing Directive No. 19 is one of the key steps in achieving the ultimate goal of having an efficient payments landscape.



- Directive No. 19 introduces a set of rules and regulations on the use of paper-based instruments in Malta;
- This Directive aims to:
 - Minimise risks associated with such instruments; and
 - Shift consumers' behaviour towards more efficient and traceable electronic payment instruments.

Entry into force:



Drawee institution

A licensed credit or financial institution authorised to pay a specific sum of money by a drawer/payer.

Drawer/payer

A natural/legal person who orders a drawee institution to withdraw money from an account to pay a named payee a specific sum.

Payee

A natural/legal person named by the drawer on the paper-based instrument who is to receive a specific sum of money.

Payer institution

Any licensed credit or financial institution (which may not necessarily be the drawee institution) authorised to pay a specific sum of money to a named payee.

This Directive applies to

Local Credit and Financial Institutions

CBM when acting as a PSP

Natural and Legal Persons

Provisions in the Directive will apply only when both the drawee institution and the payer institution are located in Malta.

BANK CENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

Pjazza Kastilja
Valletta, VLT 1060
MALTA

01 - 100
DATE _____ *of issuance* **4**

Printex Limited, Malta **Pay** _____ *Name of payee* **2** _____ **Only**

_____ *Amount in words*

_____ *(corresponding to amount in figures)*

€ **Amount in figures** **1**

3 *Signature of drawer*

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Paper-based instruments are to be considered as “Only” cheques meaning that such instruments are non-transferable and can only be negotiated by a Payment Service Provider.



- Although post-dated cheques are prohibited, if these are presented for clearing the drawee institution or payer institution **shall still encash or deposit post-dated instruments.**
- If during the preceding 12 calendar months, **6 authenticated valid instruments could not be paid out due to lack of funds, the drawee institution is obliged to discontinue providing cheque issuance facilities to drawers for these instruments.**





- The Directive imposes:
 - **A minimum amount of €20 for paper-based instruments** - instruments below such limit will not be honoured by the PSPs.
 - **A maximum amount of €5,000 for which paper-based instruments can be encashed** - instruments exceeding such amount shall be deposited in the beneficiary's account.

Cheques/Bank drafts payable to legal persons shall only be deposited and not encashed.

- The payee shall receive payment according to the terms of the paper-based instrument **after endorsing it** and presenting it to a drawee institution or payer institution for negotiation.
- Cheques/Bank drafts remain valid for 6 months.



Payee's signature

Endorse here

CASH ANALYSIS	
€ 500 x	
€ 200 x	
€ 100 x	
€ 50 x	
€ 20 x	
€ 10 x	
€ 5 x	
OTHER COIN	
TOTAL €	



- **A payer institution has the right to refuse to pay in cash a paper-based instrument where the named payee does not hold an account with it.**
- The drawee institution is obliged to authenticate the instructions of the drawer on the instrument before effecting payment.
- Institutions shall ensure that **all information relating to a paper-based instrument is retained through electronic or physical means for a period of at least 5 years** from the date when the service is provided.

Administrative penalties may be imposed by the CBM if PSPs and/or PSUs do not comply with a requirement contained in this Directive.

- Penalties imposed on PSPs:
 - Would be in accordance with the CBM Act and CBM Directive No 12; and
 - May be published by the Bank.
- Penalties imposed on PSUs:
 - Shall not exceed €200; and
 - May be for each issued instrument contravening this Directive.

- A PSU may resort to the Office of the Arbiter for the settlement of a dispute with a PSP concerning the rights and obligations arising under this Directive.
- The Bank shall assist the Office of the Arbiter to cooperate effectively with other relevant authorities for the resolution of disputes concerning the rights and obligations arising from this Directive.





THANK YOU FOR YOUR ATTENTION



Any questions?

Contact details

E: azzopardig@centralbankmalta.org

T: +356 2550 3513