



## Initial reactions and feedback of the Malta Chamber of Commerce, Enterprise and Industry on the formulation of an ‘electronic payments strategy for Malta’.

### **Preamble**

The Malta Chamber welcomes the opportunity to raise its concerns and initial reactions to the national discussion about an electronic payments strategy in Malta. The Malta Chamber has been an advocate for the use of alternative means of payments for a number of years and has collaborated with a number of stakeholders, including banking institutions and others in promoting the usage amongst the business community.

Nevertheless, numerous factors resulting from a cashless economy, concern business operators. These concerns include but are not limited to limitations on cash/cheque transactions, card processing fees and alienation of cash-preferring or unbanked customers.

While appreciating the advantages of a cashless operation, businesses are also well aware of the new risks arising from cashless operations, such as privacy issues, data protection and cybersecurity.

It is imperative that the steering committee tasked with the drafting of a national strategy is cognisant of the realities and special characteristics of the Maltese market before embarking with implementation strategies based on foreign best practices and experiences from more developed economies.

## Reactions & Recommendations

The Chamber is of the understanding that this is only the initial stage of the consultation and a more widespread and detailed discussion will ensue in due course once a draft strategy is formulated. The Chamber looks forward to participate actively in these discussions.

Below is an initial list of reactions and feedback gathered over the past few weeks from several Malta Chamber members from the three different economic groups that make up the organisation namely service providers, importers, wholesalers and retailers and manufacturing segments.

### 1. Staggered Implementation

The Malta Chamber is cognisant of the need to start the process of shifting away from cash transactions at the earliest. Nevertheless, given the prevalence of cash and cheque payments on the market, we suggest that the strategy would not take a radical big-bang approach. Rather, the business community suggests a gradual phased-in approach over a number of years. A clear time-line to implement all the measures should be set in the strategy itself in the interest of offering a seamless transition that eliminates hardship and uncertainties to business.

### 2. Cash Limits

The Chamber is against the introduction of cash limitations or cheque payments of any sort especially in the context of a one size fits all application. Such a payment limit of for example 1000 euros would have little or no impact on smaller business operations as customers rarely exceed this limit but would have serious implications on larger operations such as furniture or appliances retailers just to name an example. If any limits are contemplated, a serious discussion should happen directly with the individual segments of the economy and Government should propose and adjust limits for different sectors as it deems appropriate.

### 3. A Mix of Measures

The steering committee tasked with the drafting of a national electronics payment strategy must weigh and assess numerous initiatives and best practices implemented in other jurisdictions. The Chamber suggests analysis of the strategies applied in countries similar to Malta one such as Spain, Italy and other Mediterranean markets.

Further to this, the Chamber suggests that the strategy should not focus on a sole measure but rather a mix of measures which will achieve the desired results. These could include some of the following ideas.

#### a) Culture Change through Education, Training & Exposure

Education is key. The general public needs to be sensitized on the issues and costs at play when dealing with cash and to educate on the benefits of electronic payments. Coupled with this, a concerted effort should be made to educate smaller enterprises and self-employed. In many instances there might be misconceptions in the market of what the bank charges truly.

Whilst cash and cheques are perceived as being free, reality is in fact the opposite. Handling cash is cumbersome and costly both to the financial services sector as well as industry in general. Costs are incurred throughout the entire cash lifecycle from production to storing, securing, processing, authenticating and ultimately moving cash. Despite this, cash has been prevalent in the Maltese economy for many decades, causing a vast number of business operations to be largely cash-based. Such operators are highly concerned by the potential disruption that a migration to a fully electronic system may cause.

Therefore, education is key. Society and operators must be made aware of the tangible benefits of a cashless operation and a cashless economy. Both the public and private sector as well as society at large may gain from faster and more efficient processing of transactions, more accurate and timely data, reduction in costs associated with cash authentication and reconciling as well as reducing and discouraging theft.

The Chamber wishes to point out to past positive experiences, such as the transition during the euro changeover process which was accepted as a best practice, with little or no disruptions to business operators at the time. The Chamber therefore

recommends the establishment of an entity similar to the National Euro Changeover Committee (NECC) whose role would be two-fold (1) consultative and (2) educational.

The Malta Chamber has a strong role to play in this regard as one of its main roles is that of informing its membership of ongoing developments. The Chamber, therefore suggests, that in any future initiatives related to training business operators, it is involved directly as the direct intermediary between the policy makers and the business community.

#### b) Reducing the Costs associated with Electronic Means of Payment

Members of the Chamber are seriously concerned that if cash limitations are introduced, they would be incurring higher bank charges due to increased use of credit cards which might not always be recoverable. The advent of the transposition into Maltese law of the new Directive known as the revised Payment Services Directive (PSD2), which reduces charges for consumers and remove the vast majority of surcharging for the use of a consumer credit or debit card, will limit traders from recovering the costs associated with the use of electronic points of sale.

The Chamber is therefore suggesting that once the strategy is finalised, discussions are initiated with Commercial Banks to negotiate more favourable terms and conditions to assist businesses and increase the proliferation and promotion of card and electronic payment methods. The Chamber is also of the opinion that the main commercial banks operating in Malta operate on a single common EPOS terminal system given that the systems are very similar and could be easily interoperable. This was also confirmed by the Malta Financial Services Authority in 2015, in a report entitled '*Bank fees and charges in Malta -Preliminary overview and observations*'<sup>1</sup> and would serve to mitigate costs for businesses.

#### c) Increase the availability & incentivise development of more solutions

Cashless economies are made possible by ongoing rapid advancements in technology and the rise of numerous safe and reliable mobile payment systems.

The Malta Chamber recognises the numerous opportunities and benefits at hand for both businesses and consumers in Malta, benefits based on increased convenience,

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<sup>1</sup> <https://www.parlament.mt/media/79415/05654.pdf> see pgs 7-8

safety and traceability. In fact, a recent global survey of 2,300 businesses conducted by Oxford Economics showed that the fastest growing companies are also the ones most likely to accept mobile payments.

The most obvious benefit of going cashless is convenience. The vast majority of the population already carry their smartphones with them all day. They are practically more accessible than our wallets and, unlike chip and pin credit cards, mobile payment solutions avoid delays at the cashier. Transfers of funds between individuals and businesses are also greatly facilitated and accelerated.

The Chamber therefore recognises the need for Banks and other financial institutions to keep investing heavily in more modern solutions and applications in this regard. The advent of contactless cards is definitely a step in the right direction

## Concluding Remarks

In conclusion, the Malta Chamber welcomes the opportunity to provide initial feedback to this important debate. The Chamber wishes to make clear that these are only initial reactions based on initial feedback received from its membership or past positions taken by the Organisation on this subject. It expects to be consulted once again once the draft strategy is published later on this year.

The Chamber's initial reactions are based on the following 5 main themes:

- 1. A phased-in approach with clear time-lines rather than a big-bang approach;**
- 2. Malta Chamber is against a one-size fits all cash payment limit;**
- 3. The importance of education and training as a key enabler to shift the cash culture in Malta;**
- 4. Government to enter discussion with main commercial banks to make electronic payments more attractive to the business community;**
- 5. Incentivise and invest more in new technological solutions.**

The Malta Chamber looks forward to the possibility of discussing further once the draft strategy is published.