Boasting a thriving and rapidly-growing i-Gaming and e-Commerce industry with a wide customer base, Malta is becoming a destination of choice for the set-up of Payment Institutions. Passorting rights along with Malta’s tax regime provide an efficient environment for investors and innovators worldwide.

The number of Payment Institutions (PIs) licensed in Malta has seen enormous growth over the last few years, proving an increasing appetite and need for sophisticated services in the financial landscape. PIs are regulated under the Financial Institutions Act and provide global services to companies and merchants. In 2010, the country also implemented the European Payment Services Directive. Like other financial institutions, PIs are not allowed to receive deposits or other repayable funds from the public and must use funds exclusively to provide payment services.

Payment institutions (2014)
Key features of Payment Institutions

Permitted Activities:
▶ Services in relation to a payment account which enable cash to be deposited in or withdrawn from a payment account, or the execution of payment transactions by direct debits, through a payment card (or similar device) or a credit transfer
▶ Issuing and/or acquiring payment instruments
▶ Money remittance
▶ Execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator. However, the operator must act only as an intermediary for the payment services user.

A PI is also allowed to provide ancillary services and may operate payment systems and business activities other than the provision of payment services. The primary difference between a PI and credit institutions or electronic money institutions is that PIs are not allowed to receive deposits or other repayable funds from the public and must use funds solely to provide payment services.

Licensing Requirements:
▶ Own funds determined in accordance with the payment services provided.
▶ There have to be at least two individuals who will effectively direct the business of the credit institution in Malta.
▶ Must prove prudent conduct, fit and proper persons, integrity and professionalism, adequate flows of information, and the possibility of consolidated supervision.

Licensing Timeframe:
Three months

Licence Application:
Applications must be submitted to the MFSA on the appropriate forms. The application procedure consists of two processes, the analysis of the business plan (including financial projections) and the due diligence exercises on directors, senior managers and shareholders. Institutions need to submit the following documents:
▶ A copy of the Memorandum and Articles of Association of the institution or the deed of partnership
▶ Audited financial statements for the last three years
▶ A business plan including the structure, organisation and management systems of the institution (plan needs to include financial information which enables the MFSA to set the own funds requirement)

Benefits of Payment Institutions in Malta
▶ Payment institutions enjoy less stringent regulatory and supervisory requirements than other credit or financial institutions.
▶ More than 250 iGaming companies are already established in Malta, with more e-Commerce companies on the way, all requiring payment gateways.
▶ Malta has a value for-money proposition with its state-of-the-art telecoms infrastructure coupled with lower operational, salary and real estate costs.
▶ Malta’s highly skilled and multilingual workforce is ideal for staffing contact centres and customer care.

Regulatory Fees:
Authorisation application fees are one-time fees and non-refundable irrespective of whether the application is accepted or refused.
▶ Application: €3,500

Annual supervision fee:
Equivalent to 0.0002 of the total assets as reported at the end of the preceding year in the balance sheet, but never less than €2,500.