

8 June 2026

FinTech Supervision

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The Board of Directors

Dear Members of the Board & the Chief Executive Officer (CEO),

Re: The Malta Financial Services Authority's Minimum Expectations on the Authorised Person's preparedness for Payment Services Directive 3

Scope & Background

The purpose of this letter is for the Malta Financial Services Authority (the "MFSA") to provide guidance on the required actions that the Authorised Person is requested to undertake before and in preparation of the publishing of the PSD3 in the EU's Official Journal.

On 28 June 2023, the European Commission (the "EC") put forward the payment services package which included two proposals namely; the PSD3 and the Payment Services Regulation (the "PSR"). More recently, the EU Council also published the final compromise text of PSD3¹ and PSR² and the final text of these proposals is expected to be published in the Official Journal of the EU towards the end of this year. In this context, the PSR covers the conduct of business in payment services and addresses the areas of: (i) transparency of conditions and information requirements for payment services; and (ii) the rights and obligations in relation to the provision and use of payment services. On the other hand, the PSD3 focuses on Payment Institutions specifically on their authorisation and supervision.

By putting forward the above-mentioned legislative proposals, the EC effectively divided the current Payment Services Directive 2 (the "PSD2") (Directive 2015/2366)³

¹ <https://data.consilium.europa.eu/doc/document/ST-8222-2026-INIT/en/pdf>

² <https://data.consilium.europa.eu/doc/document/ST-8221-2026-INIT/en/pdf>

³ [Directive - 2015/2366 - EN - Payment Services Directive - EUR-Lex](#)

into two separate legal instruments. In this respect, the primary reason for the EC having proposed a regulation, in addition to a directive, is to harmonise enforcement and implementation across EU Member States of a substantial part of the PSD2 (i.e. essentially of conduct of business requirements), given that a regulation is a binding legislative act that is directly applicable in its entirety across the EU.

Meanwhile, it is important to note that one of the key changes that PSD3 is going to introduce is that it will combine the provisions of PSD2 and Electronic Money Directive 2 (Directive 2009/110/EC)⁴, whilst repealing the latter. In view of this, there shall be a single authorisation for institutions providing payment services and, or issuing electronic money. Consequently, all institutions shall be authorised as Payment Institutions. Moreover, the activity of issuing electronic money shall become a payment service and shall be included in the list of payment services as referred to in Annex I of PSD3.

In tandem, the Authority is working closely with the Central Bank of Malta to ensure the smooth transposition of PSD3 and the effective implementation of PSR.

Requirements

In accordance with the transitional provisions foreseen in PSD3, National Competent Authorities shall require Payment Institutions who are duly authorised under PSD2 and Electronic Money Institutions who are duly authorised under EMD2, to undergo a **reauthorisation process** in order to assess whether they comply with article 3(3), points (c), (d), (e), (f), (h), (r) and (s). Moreover, PSD3 establishes that National Competent Authorities must verify that Payment Institutions and Electronic Money Institutions comply with Title II PSD3 in order to be reauthorised.

Thus, in order to ensure a smooth reauthorisation process under the PSD3, the MFSA is bringing to the Authorised Person's attention the following requirements, as set out in the level 1 text, in respect of which the Authorised Person is expected to ensure compliance with in the run-up to PSD3. The below requirements are not exhaustive and the Authorised Person is expected to conduct a thorough gap analysis once the final legislative text is published in the EU's Official Journal, including the related level 2 texts.

⁴ [Directive - 2009/110 - EN - EUR-Lex](#)

A. Safeguarding Requirements (Article 3(3)(d) and Article 9)

Article 3(3)(d) PSD3 requires a description of the measures taken to safeguard payment service users' funds as set out in article 9. Moreover, article 9 establishes the safeguarding requirements that payment institutions are required to comply with. In this respect, compared to PSD2, the following are a few new key requirements:

1. Safeguarding shall apply where the payment institution still holds the funds and has not yet by the end of the business day following the day when the funds have been received, delivered those funds to the payee or transferred those funds **to another payment service provider in order to complete the transfer of the funds to the payee.**

Within the above context, insofar as a payment institution transfers the funds to the payee's payment service provider or **to a single intermediary payment service provider through which the said funds are transferred to the payee's payment service provider**, the safeguarding requirements shall not apply. However, where more than one intermediary payment services provider is involved in the transfer chain then the safeguarding requirements shall apply.

2. Payment institutions shall ensure that they **safeguard the amount that corresponds to the claim against the payment institution of the payment service user arising from the provision of payment services.**

Within the above context, recital 30 of the PSD3 clarifies and explains how this applies in the context of acquiring where international card schemes are involved, however this applies in the context of providing other payments services too.

3. Payment institutions shall inform their payment service users in a clear and transparent manner **how funds of the individual user are safeguarded, the insolvency law of which Member State is applicable, and in which Member State a claim is to be raised in the event of the insolvency of the payment institution.**

The above is a new transparency requirement which shall have to be reflected accordingly in contractual agreements and disclosures.

4. Where payment institutions use the safeguarding method of depositing funds either in a separate account in a credit institution authorised in a Member State, or at a central bank at the discretion of that central bank they **shall avoid, where appropriate, concentration risk to safeguarded payment service users' funds**. In particular, they shall endeavour not to safeguard all payment service users' funds with one credit institution.

The above requirement is aimed at reducing concentration risk when safeguarding clients' funds. Hence, concentration risk in safeguarding arrangements shall have to be identified, monitored and managed both at the initial stage and on an ongoing basis thereafter by taking corrective actions whenever required.

B. Governance Arrangements (Article 3(3)(e) and Article 13(1)(c))

Article 3(3)(e) PSD3 requires a description of the governance arrangements and internal control mechanisms, including administrative, risk management and accounting procedures, and a description of the arrangements for the use of ICT services as referred to in articles 6 and 7 of Regulation (EU) 2022/2554 (the "DORA"), which demonstrates that those governance arrangements, internal control mechanisms and arrangements for the use of ICT services are proportionate, appropriate, sound and adequate. Moreover, article 13(1)(c) PSD3 requires that payment institutions have sound and prudent management, robust governance arrangements for the payment services they provide, including:

- (i) a clear organisational structure with well-defined, transparent and consistent lines of responsibility;
- (ii) effective procedures to identify, manage, monitor and report the risks to which they are or might be exposed; and
- (iii) adequate internal control mechanisms, including sound administration and accounting procedures.

Compared to PSD2, the requirement has been updated to explicitly cover arrangements for the use of ICT services in line with DORA, introducing strengthened expectations with respect to ICT risk management.

C. Security Incidents and Incident Reporting Mechanism (Article 3(3)(f))

Article 3(3)(f) PSD3 requires a description of the procedure in place to monitor, handle and follow up a security incident and security related customer complaints, including a description of the incident reporting mechanism which takes account of the notification obligations laid down in Chapter III of DORA.

Compared to PSD2, the requirement has been updated to explicitly take into account the notification obligations regarding ICT-related incidents as established under Chapter III of DORA.

D. Business Continuity Arrangements and Plans (Article 3(3)(h))

Article 3(3)(h) PSD3 requires a description of business continuity arrangements including a clear identification of the critical operations, a description of the ICT business continuity plans and ICT response and recovery plans, and a description of the procedure to regularly test and review the adequacy and efficiency of such ICT business continuity and ICT response and recovery plans, as required by article 11(6) of DORA.

Compared to PSD2, the requirement has been updated to explicitly include the ICT business continuity, response, and recovery plans as well as the testing and review of such plans, in line with DORA.

E. Winding-Up Plan (Article 3(3)(s))

Article 3(3)(h) PSD3 requires a winding-up plan in case of in case of failure, which is adapted to the envisaged size and business model of the payment institution, including the return of safeguarded funds in the event of a disorderly wind-up.

Compared to PSD2, this is a new requirement requiring payment institutions to prepare a proportionate winding-up plan, including arrangements for the return of safeguarded funds in the event of failure.

The MFSA's 2026 Minimum Expectations vis-à-vis PSD3 Preparedness

To this extent, the MFSA expects that, for each of the above requirements (points A to E):

Expectation 1: The Authorised Person's Board of Directors is duly informed of the regulatory requirements and implications arising from the PSD3.

Expectation 2: The Authorised Person is undertaking the necessary steps to ensure full alignment with the PSD3, with a view to achieving immediate compliance upon its publication in the EU's Official Journal, particularly to support a smooth reauthorisation process.

Expectation 3: The Authorised Person's Board of Directors is duly informed that the EBA shall develop a Regulatory Technical Standard ("RTS") on authorisation and registration that shall be submitted to the EC by no later than 12 months from the publication of the PSD3 in the EU's Official Journal. Such RTS is expected to inform the elements of the reauthorisation requirements.

Expectation 4: The Authorised Person's Board of Directors is duly informed that by no later than 27 months from the publication of the PSD3 in the EU's Official Journal, the Authorised Person must acquire the necessary reauthorisation from the MFSA in order to continue providing its services.

Expectation 5: The Board of Directors, senior management, and all key function holders of the Authorised Person are fully cognisant of the requirements arising from PSD3, have a clear understanding of the implications for their respective areas of responsibility, and are undertaking appropriate measures to ensure preparedness for compliance.

Expectation 6: The Authorised Person performs and documents a comprehensive gap analysis assessing the differences between the current PSD2 framework and the forthcoming PSD3 and ensures that identified gaps are appropriately addressed.

Expectation 7: The Authorised Person adopts an implementation plan towards achieving full compliance with the PSD3. The plan is to be duly approved by the Board of Directors and communicated across the company accordingly.

Expectation 8: Where applicable, the Authorised Person engages in discussions with its external auditors and, or consultants regarding achieving full compliance with the PSD3.

Conclusion

In consideration of the limited timeline that will be allocated by PSD3 between the publication of the RTS on authorisation and registration and the deadline to obtain reauthorisation, it is imperative that the Authorised Person commences compliance assurance as soon as possible.

The MFSA considers it essential that the Authorised Person commences the necessary work to ensure that the PSD3 requirements highlighted above are fully met without undue delay. Moreover, further detailed requirements will emerge through the Technical Standards and Guidelines to be developed and issued by the EBA pursuant to its mandate under the PSD3, particularly in relation to governance and safeguarding.

In this regard, the Authorised Person shall actively monitor the development of such Technical Standards and Guidelines and take the necessary steps to ensure compliance with the requirements arising therefrom immediately upon their publication. The Authorised Person shall ensure that it is able to demonstrate such compliance in a clear and comprehensive manner.

The MFSA shall assess the Authorised Person's compliance with these Technical Standards and Guidelines when determining whether to grant reauthorisation.

Yours sincerely,

Malta Financial Services Authority

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Chief Officer Supervision

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