

Malaysia's experience in advancing e-payment adoption

Presentation to COMCEC FCWG meeting

*Payment Services Policy Department, Bank Negara Malaysia
16 September 2024*



Outline

1

Overview of e-payment adoption in Malaysia

2

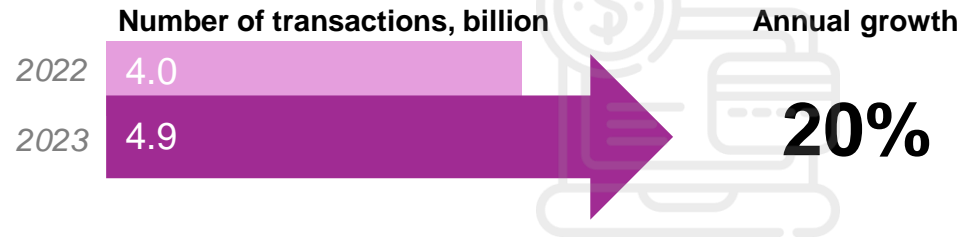
Key building blocks to foster a thriving payment ecosystem

- Robust regulatory framework
- Clear developmental strategy
- On-going advocacy/awareness

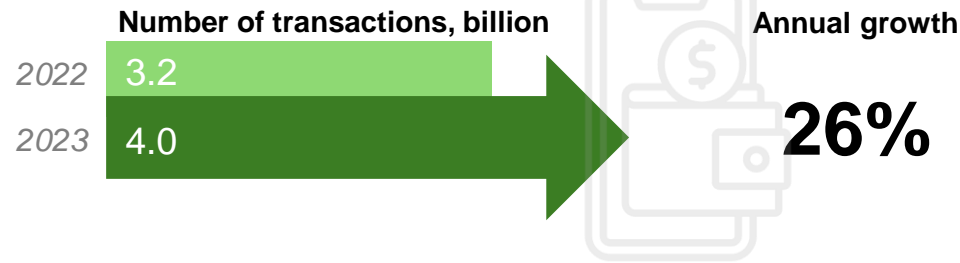


E-payment adoption in Malaysia continues to rise and is projected to meet Blueprint target ahead of time

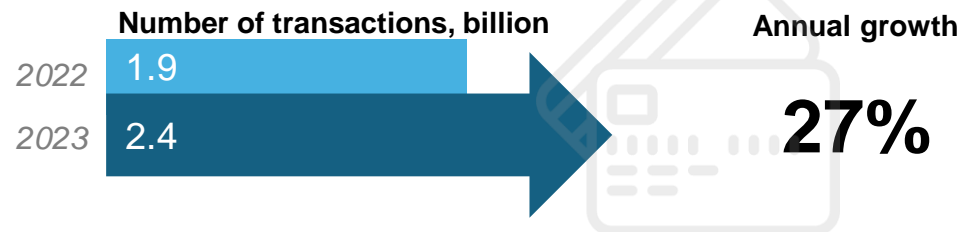
Credit transfer



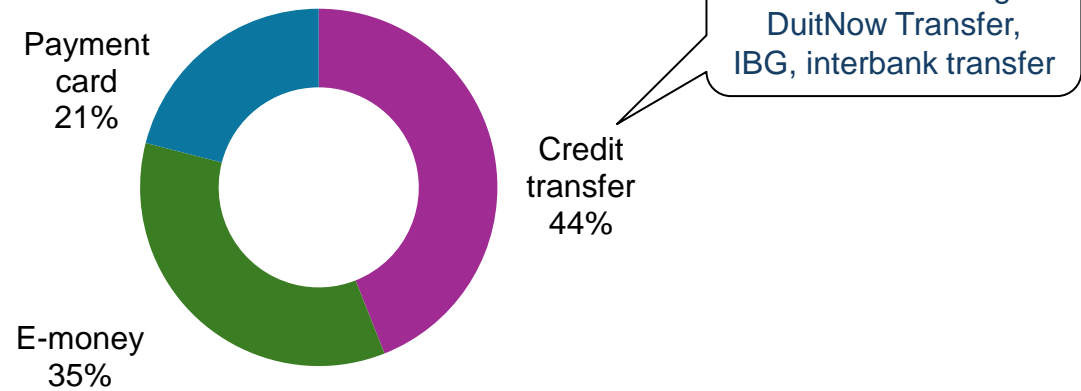
Electronic money (e-money)



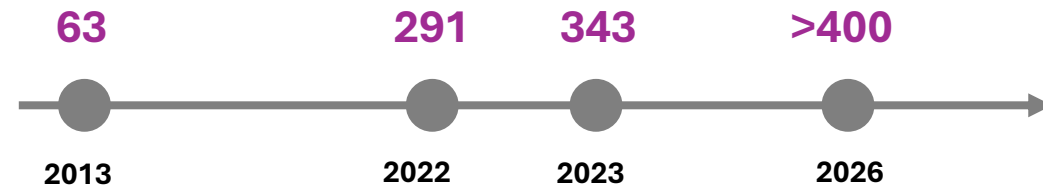
Payment cards



Share of e-payment transactions



E-payment per capita



15%
Annual growth

Target for growth in e-payment usage, outlined in our Financial Sector Blueprint

Key building blocks to foster a thriving payment ecosystem



Robust regulatory and supervisory framework provides strong foundation for a safe and reliable payment ecosystem

Regulatory framework

Legislation

- Central Bank Act of Malaysia 2009
- **Financial Services Act 2013**
- Money Services Business Act 2011
- **Islamic Financial Services Act 2013**

BNM plays a role as operator, overseer and facilitator in advancing digital payment agenda and supporting central bank's broader payment mandate

Approval and registration

- Approved **Payment System Operators (PSO)**
- Approved **Issuers of Designated Payment Instruments (DPIs)** – *payment card, e-money*
- Registered Business (**Merchant Acquiring Services**)



Regulation

- Prudential policies imposed on regulatees by BNM to:
 - *Ensure effectiveness of risk management*
 - *Combating financial fraud & scams*

Policy Documents (risk management):

- Payment System Operator
- E-money
- Merchant Acquiring Services
- Payment Card

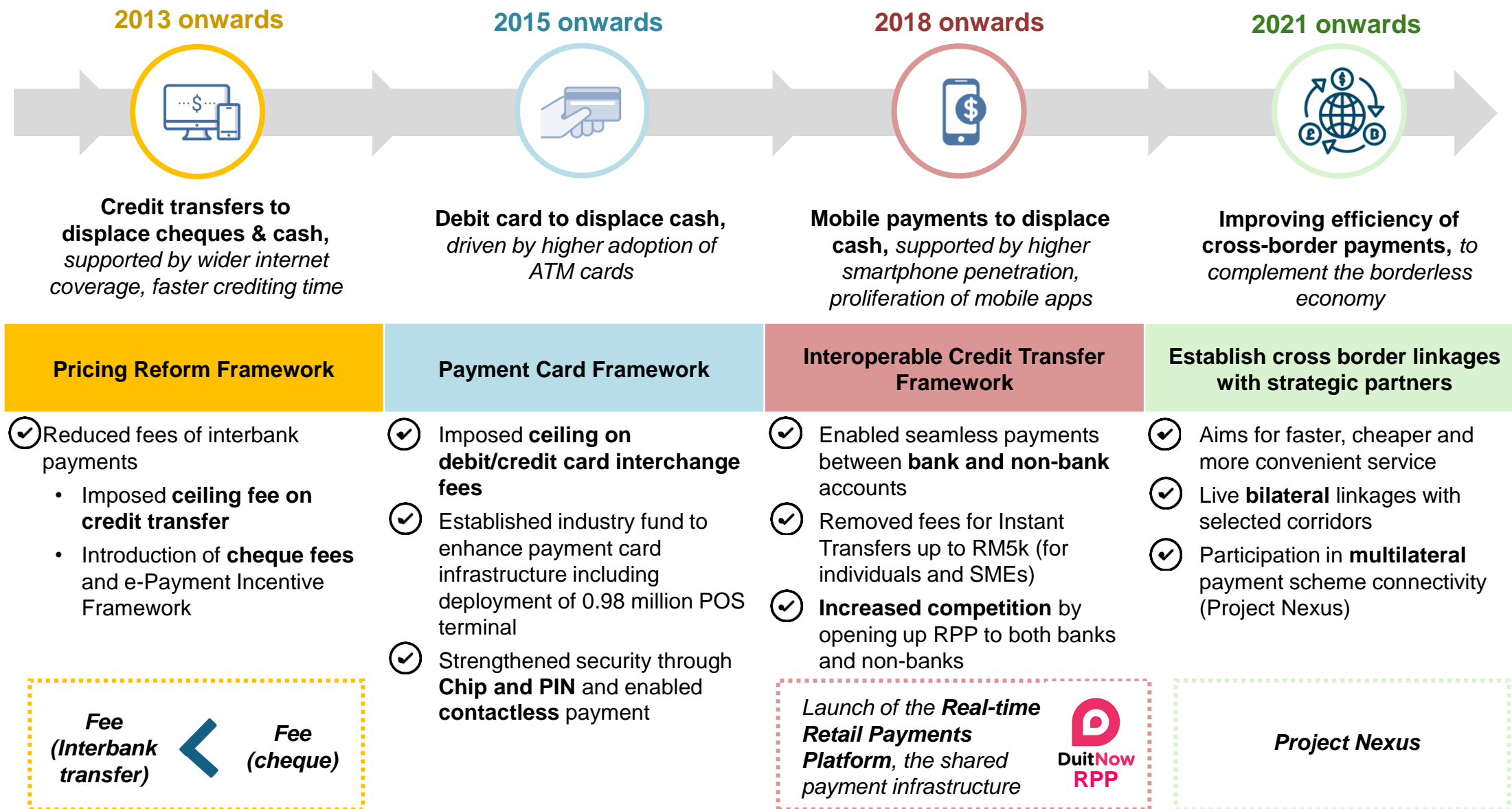
Managing fraud

- Strengthened fraud prevention measures
- Fairer treatment of fraud victims
- National Fraud Portal

Key building blocks to foster a thriving payment ecosystem

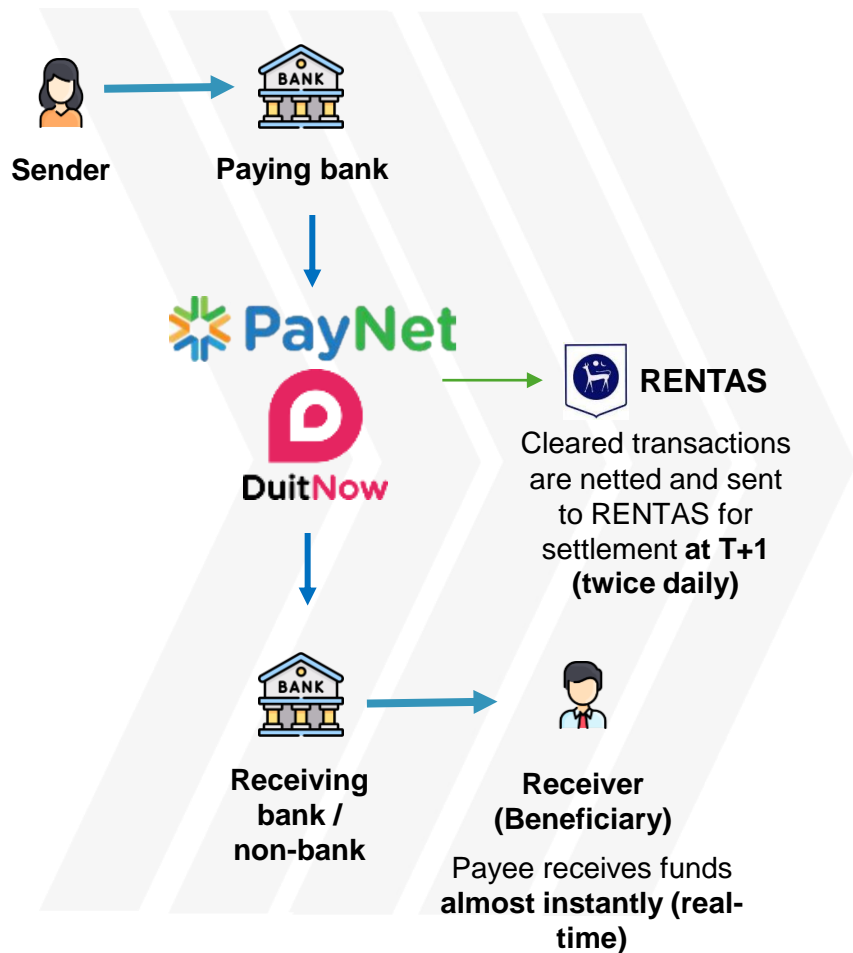


BNM undertook a series of policy reforms to further accelerate e-payment adoption



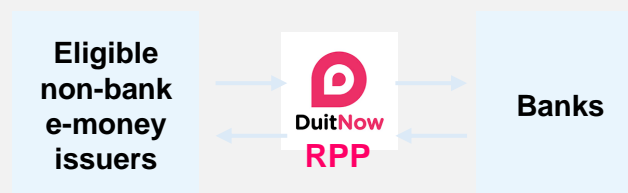
Development of RPP has enabled players to share infrastructure cost while competing at product level

RPP works as a clearing system, while the settlement is performed in RENTAS (RTGS)



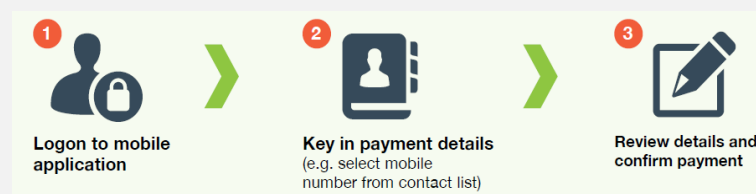
Interoperability

All banks and major non-bank e-wallets interconnected via a shared network



National Addressing Database

Use of proxies (e.g. mobile phone numbers, identity card numbers, business registration numbers) to make payments



Unified QR code solution

Driven by the exponential growth in mobile payment and high mobile penetration rate in Malaysia



The QR code image is for illustration purposes

- DuitNow QR is Malaysia's National QR Standard
- Through DuitNow QR interoperability, any compliant QR code can take payments from any participating Banks/e-Wallets
- Almost all banks and large e-wallets participate in the DuitNow QR service

On the cross-border front, efforts are being intensified to expand efficiencies achieved in domestic payments


1 Bilateral payment linkages (Ongoing)

- Leverage on real time payment system to enable faster, cheaper and more convenient cross-border QR payments and P2P
- Payment linkages pursued via G2G and commercial arrangement

Several bilateral instant payment linkages already live, with more underway

	 Thailand	 Indonesia	 Singapore
QR payment	Live	Live	Live
P2P fund transfers	In discussion	In discussion	Live

In the pipeline: The Philippines and Cambodia

-  PayNet's QR payment connectivity arrangements (e.g. Alipay+, China UnionPay)
 - Expanding coverage of cross-border retail payments for Malaysians to countries like China and South Korea

✓ Current focus is on promoting greater adoption among users and addressing operational implementation issues

2 Project Nexus (2022 – ongoing)



Aims for faster, cost-effective, transparent and accessible cross-border payments

- Collaboration between BNM, BIS Innovation Hub and 4 other ASEAN central banks¹ to enable instant and secure fund transfer services using proxies
- Builds on ongoing initiative on bilateral payment linkages within ASEAN for more scalable model

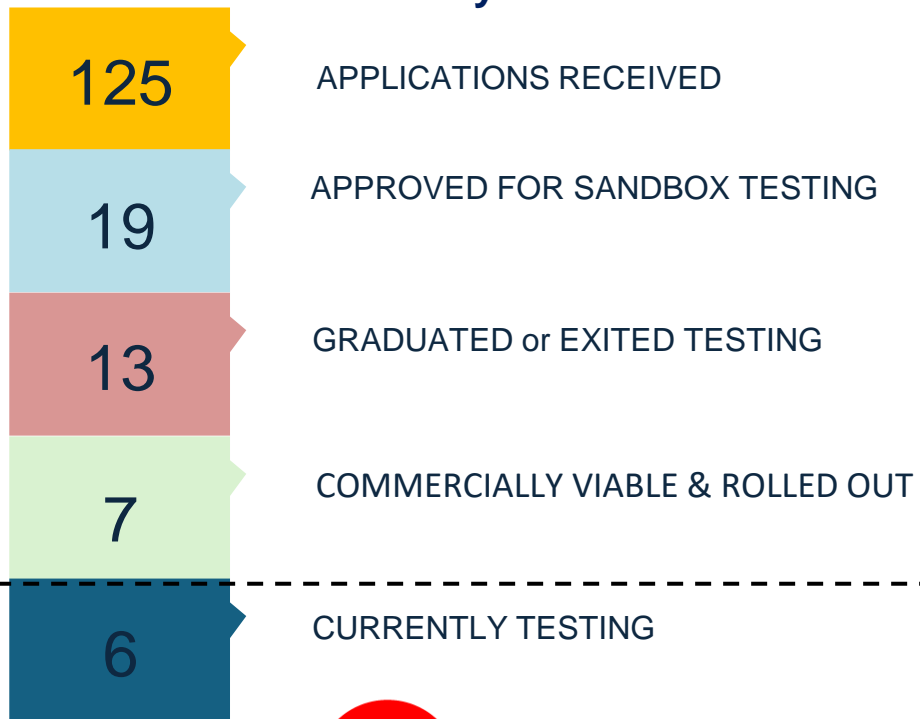
Efforts underway to transition towards live implementation

- Implementation phase²: Aims to bring Nexus to live operations with its first transaction by mid-2026

¹ Malaysia, Indonesia, Singapore, Thailand and the Philippines.
² Malaysia, Singapore, Thailand, the Philippines and India.

The Fintech Regulatory Sandbox allows the Bank to support the development of the fintech ecosystem, with insights from Sandbox benefiting other areas of the Bank's work

Key statistics*



125 APPLICATIONS RECEIVED

19 APPROVED FOR SANDBOX TESTING

13 GRADUATED or EXITED TESTING

7 COMMERCIALY VIABLE & ROLLED OUT

6 CURRENTLY TESTING



*As at July 2024

Insights from the Sandbox



Sandbox testing informed calibration of developmental policies

e-KYC

Digital Insurance & Takaful Operator

Insurance & takaful product aggregators



Sandbox allows the Bank to advocate and support market activity

Collaboration with government agencies (e.g. MDEC Fintech Booster, National Technology and Innovation Sandbox)



Sandbox is vital for the development of fintech players

Strengthen trust of consumers and investors of a new entrant

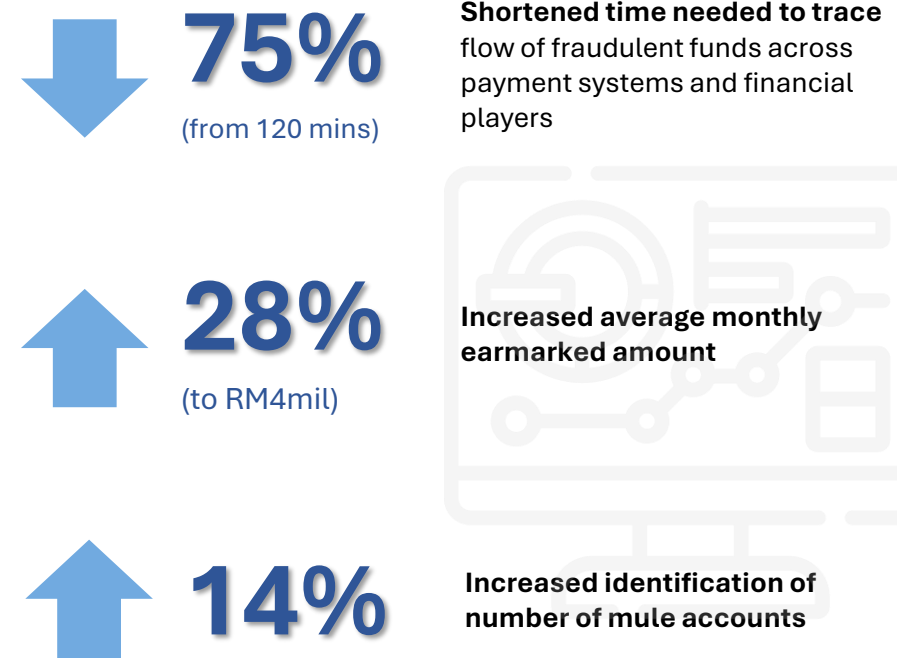
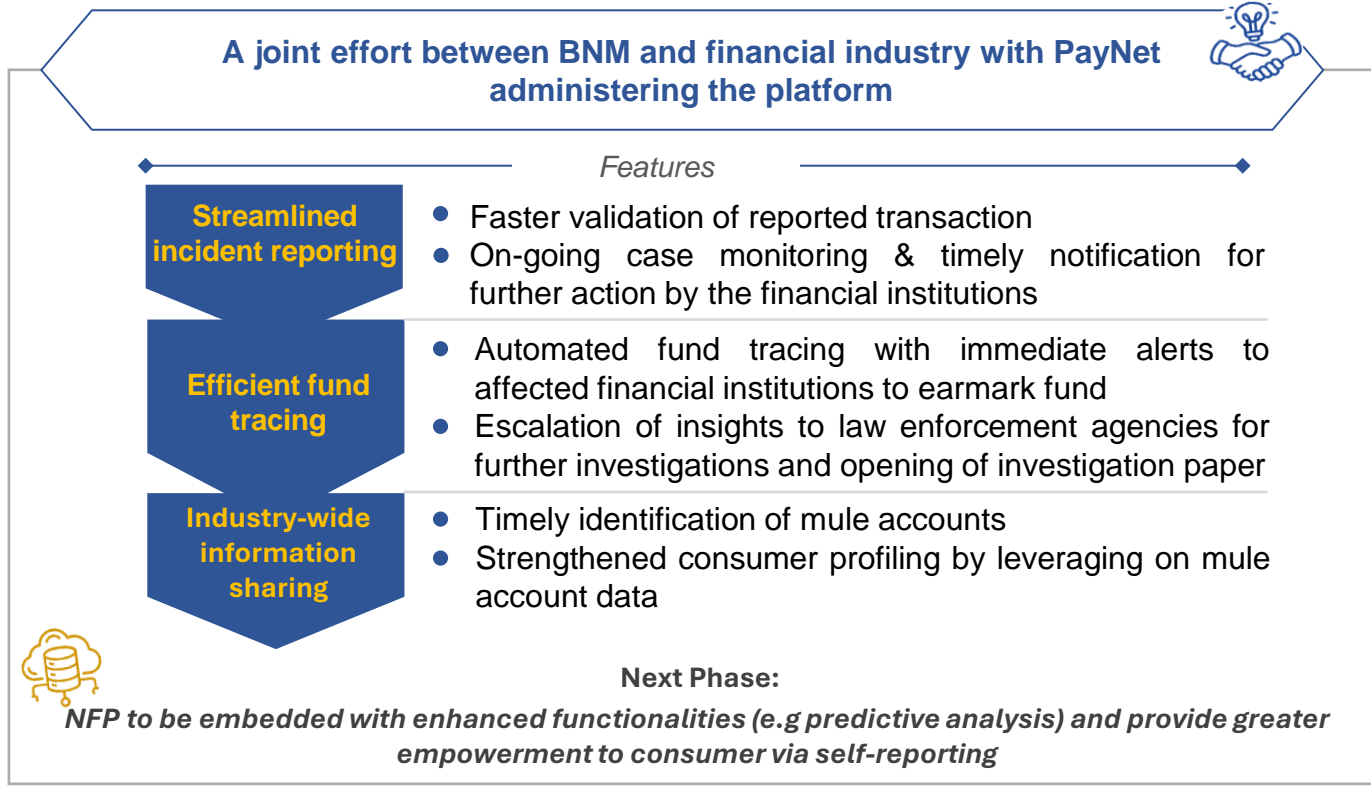
Guide start-ups in regulatory compliance and risk management

Allows first-hand contact on latest developments for regulators

National Fraud Portal (NFP) facilitates end-to-end incident reporting and fund tracing to strengthen National Scam Response Centre’s (NSRC) fraud response capabilities

NFP leverages on PayNet’s shared infrastructure and credible payment data lake to facilitate efficient fund tracing ...

Since its pilot phase beginning April 2024, NFP has..



Supplemented by ...

Industry standards on mule reporting and handling

- Facilitate better detection and classification of mule accounts
- Foster consistent and fair treatment on mule victims

... attributed by 16 participating financial institutions, with more to participate by end 2024.

Key building blocks to foster a thriving payment ecosystem



As the regulator of payment players, BNM advocates coordinated efforts to promote e-payment adoption

1

BNM sets broad direction and empower the industry to drive e-payment initiative



- Under the Financial Sector Blueprint (FSBP), BNM outlines growth of e-payment adoption as one of key success indicator
- BNM and the industry aim to ensure sustained growth of e-payment usage (at least 15% growth) over the next 2 years

- Established an umbrella campaign which encourages industry to conduct e-payment initiatives for greater visibility and cohesiveness



* The 'e' stands for 'electronic', while the term 'duit' means 'money' in Bahasa Malaysia, which is the medium of exchange used in our daily lives.

** 3 'S' tagline – i.e., 'Selamat (Secure), Senang (Simple), Segera (Swift)'

Case study: A cash-less Redang Island: Empowering Communities with digital payment

2

Followed by industry-led programs at targeted communities

More than 110 e-Duit related programmes organised nationwide


Program objectives

- ✓ Familiarize and educate communities and businesses on e-payment options, benefits and safe practices
- ✓ Onboard businesses to accept e-payment

Target segments

 Tourism hotspots – Langkawi, Redang and Tioman Islands

 Marketplaces / rural communities – Pasar Payang, Daro, Jeniang, Bagan Nakhoda Omar

 High footfall areas – highway layby areas

BNM plays a supporting role to facilitate discussion and collaboration between financial industry and relevant stakeholders (e.g. local authorities)

Thank you