




Real-Time Payment System Linkages for Efficient Cross-Border Payments

With the roll out of the Real-time Retail Payments Platform (RPP) since December 2018, fast, convenient and low-cost¹ domestic payment services have become a norm for users. Two services are currently offered on the RPP, namely DuitNow Transfer and DuitNow QR services. With the DuitNow Transfer service, a sender can transfer funds instantly by using the recipient’s mobile phone number.² Likewise, the DuitNow QR service allows customers to use any participating bank or non-bank e-wallets to scan the DuitNow QR code to make payments. Merchants would also be able to accept payments seamlessly from any participating bank or non-bank e-wallets through a single unified DuitNow QR code. This reduces the need for merchants to display multiple QR codes from different e-wallet providers.

At the regional level, efforts have also been initiated to improve the efficiency of cross-border payments. This aims to tackle the pain points in cross-border payment services which are slower and more costly³ than domestic payment services. To this end, the Bank has facilitated the establishment of bilateral payment linkages with Thailand and Indonesia. Similar arrangement with Singapore is also in progress (Diagram 1).

By linking the RPP with the real-time payment system of another country, users in both countries would benefit from faster and cheaper cross-border payments. For instance, funds will be paid into the recipient’s account instantly compared to one to two working days typically for conventional cross-border payment services.⁴ Before confirming payment, users will be provided upfront with the applicable fee and foreign exchange rate which are competitively priced. The Bank also continues to encourage more interested e-wallet providers to participate in the linkages. This would broaden the access of instant cross-border payment services to consumers and merchants.

Diagram 1: Status of Bilateral Linkages

Partner countries ¹	Cross-border QR payments	Cross-border P2P fund transfers
 Thailand	Live	Under development
 Indonesia	Live	In discussion
 Singapore	Under development	Under development

¹ Please refer to PayNet’s DuitNow Transfer and DuitNow QR websites for list of participating financial institutions (FIs).

Source: Bank Negara Malaysia

¹ DuitNow Transfer service is free for fund transfers of RM5,000 and below. As for fund transfers above RM5,000, the transaction fee is capped at RM0.50.

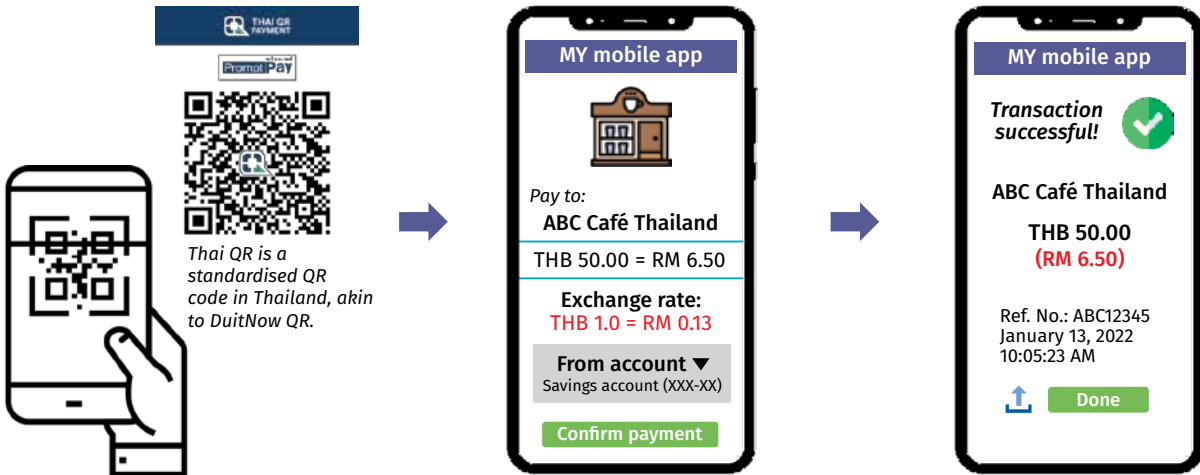
² Other common identifiers supported by DuitNow Transfer include national registration identity card (NRIC) number, passport number and business registration number.

³ Cross-border payments generally flow through correspondent banking arrangements. Key pain points associated with such arrangements include high costs and slow speed due to reliance on multiple intermediaries (e.g. liquidity costs to pre-fund multiple nostro accounts, and longer processing time due to varying levels of operational efficiency, local requirements and cut-off times across the multiple intermediaries). In 2021, the average cost of making cross-border remittance via non-bank remittance service providers was 2.2% of the transaction value, while the average cost for e-remittance was 1.9% of the transaction value.

⁴ For example, foreign telegraphic transfers and payment cards.

Diagram 2: Steps for Making Cross-Border QR Payment

- 1 Scan the merchant's QR code using your mobile payment app.
- 2 Insert amount and verify payment details before confirming payment.
- 3 Once successful, you will receive a notification displaying the amount paid in both currencies.



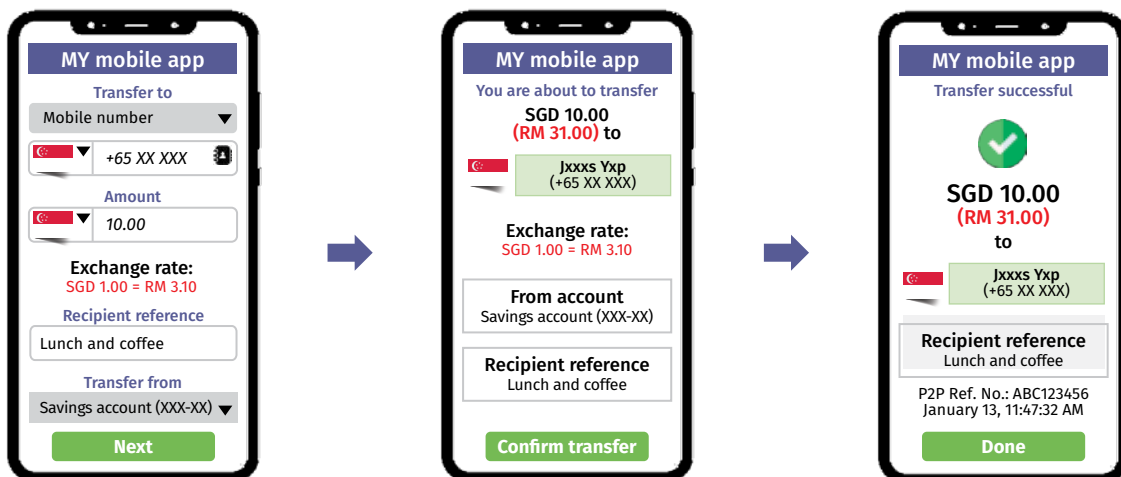
Customer scans Thai QR using a Malaysian mobile payment app.

Note: The above diagram is for illustration only. The actual user interface may vary across participating FIs.

Source: Bank Negara Malaysia

Diagram 3: Steps for Making Cross-Border P2P Fund Transfer

- 1 Insert the recipient's mobile number and payment amount.
- 2 Verify the payment details before confirming payment.
- 3 Once successful, you will receive a notification displaying the amount paid in both currencies.



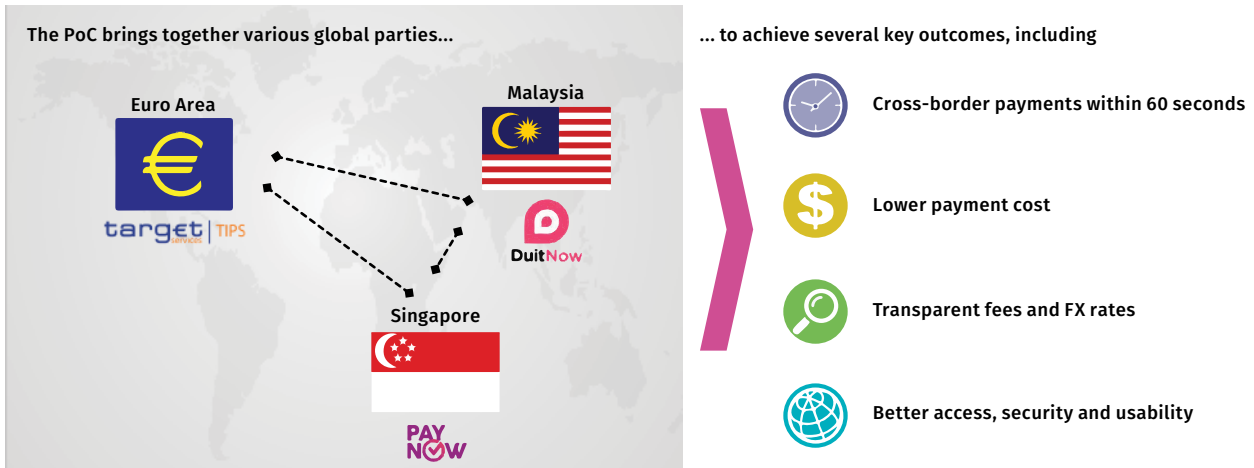
Note: The above diagram is for illustration only. The actual user interface may vary across participating FIs.

Source: Bank Negara Malaysia

Building on the success of bilateral payment linkages, the Bank and PayNet are collaborating with the BIS Innovation Hub and other international partners in the Project Nexus proof-of-concept (PoC)⁵ initiative. This aims to explore the feasibility of connecting multiple real-time payment systems globally to enable cross-border payments within 60 seconds. The findings will inform the future development of a global network of real-time payment systems⁶ to enable fast and seamless cross-border payments.

Diagram 4: Overview of Project Nexus

Project Nexus will test the feasibility of connecting real-time payment systems multilaterally.



Source: Bank Negara Malaysia

⁵ The PoC will not process live payments and will not be available for individuals and businesses to use at this juncture.

⁶ Globally, more than 60 countries have implemented real-time payment systems.