

Moving
Forward with
e-Payments

Outcomes of Regulatory Measures on
the Payment Landscape

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Outcomes of Regulatory Measures on the Payment Landscape

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Presentation Outline

- Strategy and focus areas to facilitate migration to e-payments
- Credit transfer services and progress made to displace cheques
- Debit / ATM card and payment card infrastructure development
- Highlights of the Payment Card Reform Framework

**Strategy and focus areas
to facilitate migration to e-payments**

Strategy to drive the migration to e-payments

Target

BNM, as the driver, established the Financial Sector Blueprint with e-payment targets to be accomplished by 2020

Strategy

Create an enabling environment to accelerate migration to e-payments by leveraging on existing payment infrastructure that is widely available

2 Key Instruments

1 Credit transfer to displace cheques

30 offering banks accounting for 99% of total current and saving accounts

2 Debit card to displace cash

42 million cards for a population of 30 million

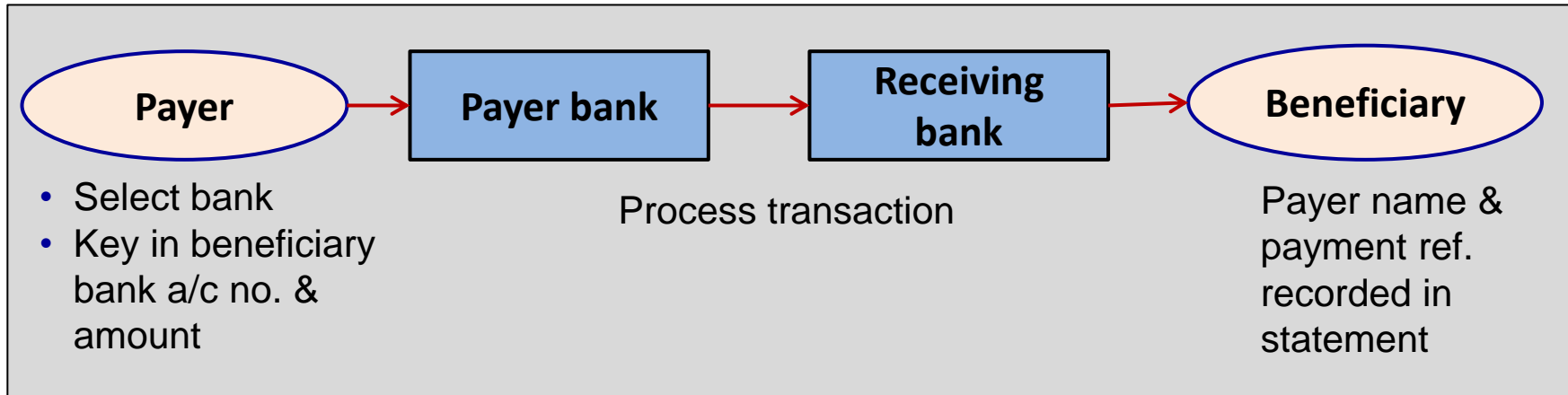
Focus of the 1st 5 years in 10 year e-payments roadmap

Enhancement of payment services and establishment of market frameworks to create an enabling environment for the country's migration to e-payments

	Credit transfer	Debit Card
Price signal	<ul style="list-style-type: none"> • IBG (Max of 10 sen), • IBFT (Max of 50 sen) 	<ul style="list-style-type: none"> • Ceilings for interchange fee • Unbundling of MDR
Quality & value proposition	<ul style="list-style-type: none"> • Shorter crediting time for IBG • Payment details in bank statement • Features to prevent mistaken payment • Future-dated IBG 	<ul style="list-style-type: none"> • Contactless features • Improved transaction security (Chip and PIN)
Access points	Credit transfer accessible via ATM	800k terminals by 2020
Industry incentive structure	<ul style="list-style-type: none"> • E-payment Incentive Fund Framework 	Market Development Fund
Awareness & confidence	<ul style="list-style-type: none"> • E-payment roadshows • Media publications • Radio Interviews 	Township campaigns

**Credit transfer services
and
progress made to displace cheques**

Credit transfer services



IBG

**Interbank
GIRO**

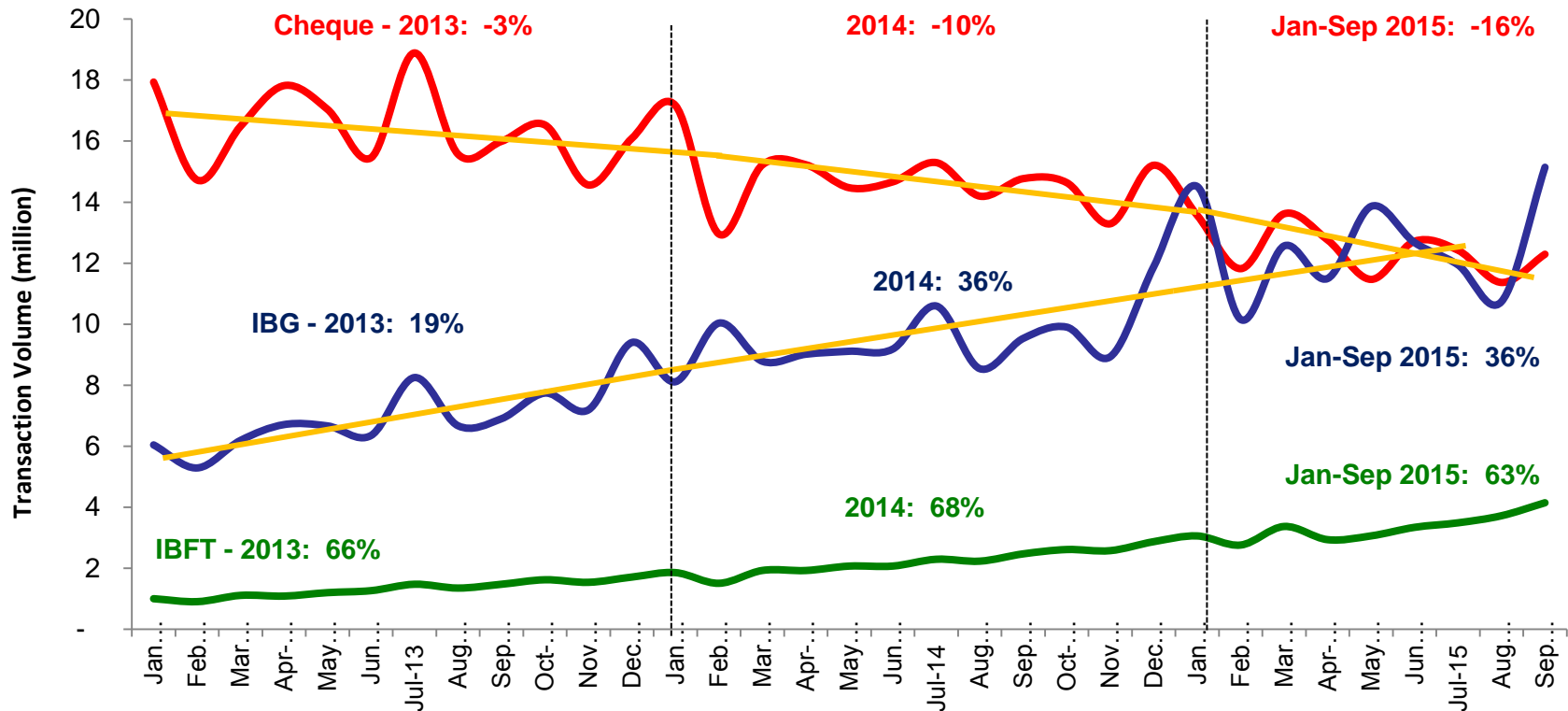
- Same day crediting for payment made before 5 p.m.
- Max fee of 10 sen (online channel) and 30 sen (ATM channel)
- Payment verification by NRIC/ Company registration number

IBFT

**Instant
Transfer**

- Near real-time crediting
- Max of 50 sen (both online and ATM channel)
- Beneficiary name displayed before payer's confirmation

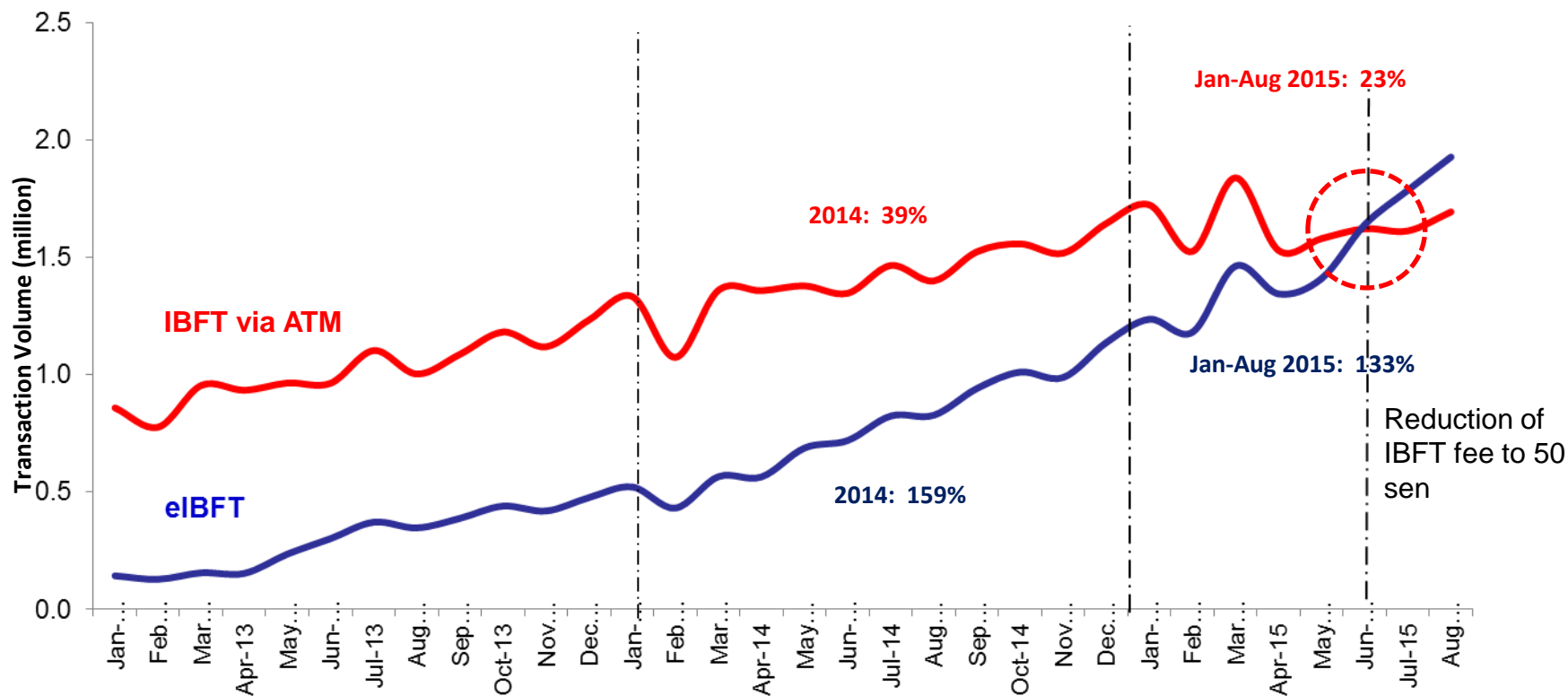
Trend in usage of cheques and credit transfer services



If the decline rate is sustained, cheques will decline to achieve the target of 100 million cheques per year by 2020.

Online banking transactions

- As at Jun 2015, there are 19 million internet banking subscribers, of which 8 million are active
- IBFT via online banking has exceeded IBFT over ATM for the first time



**Debit / ATM card
and
Payment card infrastructure development**

Debit/ ATM cards

Existing Debit/ ATM cards

Standalone



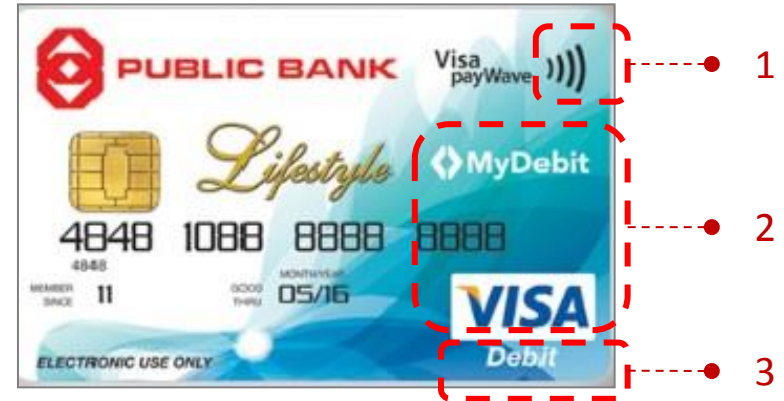
Co-badged with 2 debit brands



MEPS/Bankard logo are at the back of the card

New Debit/ ATM cards

Co-badged with 2 debit brands



1. Debit cards will have contactless interface
2. Debit card brands will be featured on the front of the card.
 - MyDebit will replace MEPS & Bankard logo
3. 'Debit' imprinted on the front of the card

Industry's commitment to develop the payment card market



Deployment of additional
560,000 POS terminals by 2020



+



Adoption of Chip & PIN
verification method by 2017

EMV

+



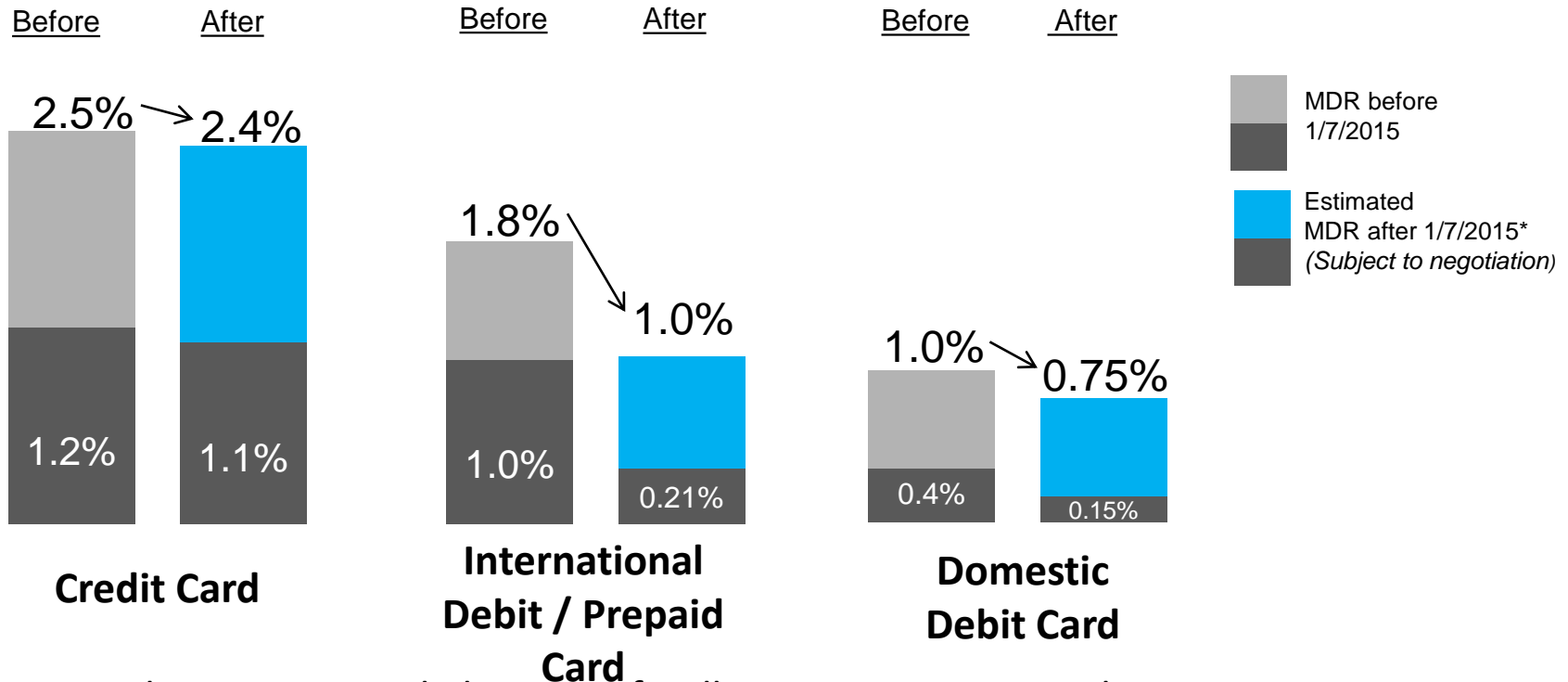
Migration of domestic debit card to EMV
standard with contactless feature by 2018

**Industry has committed RM1.1 billion over the next 6 years to undertake
infrastructure development and upgrades**

Highlights of the Payment Card Reform Framework

Potentially lower card acceptance cost

Merchant Discount Rate (MDR) = **Interchange fee (IF)** + **Acquiring Margin**



Note: The rates quoted above are for illustration purpose only

Merchants are encouraged to engage with their banks to negotiate for a lower MDR that is commensurate with the reduction in IF

Greater transparency in card acceptance cost

- Separate MDR for different payment cards
- Disclosure of MDR and interchange fee (IF) in merchant statement
- If IF is reduced but MDR remains the same, the acquirer needs to provide written explanation to merchants

Merchant Statement		SAMPLE	
	MDR	Interchange Fee	
Credit	1.5%	1.1%	
Intl Debit	0.8%	0.21%	
Domestic Debit	0.5%	0.15%	

Merchants are able to make informed decision to choose the lower cost cards

Empowerment of merchants to accept the lower cost card or network (brand)

Acquirers' obligations on default routing option for co-badged debit card

- Facilitate merchants to make an informed choice by disclosing the MDR and IF rates for the different debit card networks (brands)
- Facilitate merchants to change the preferred card network (brand) at an interval of every 6 months or less.

Merchants' rights

- Choose the lower cost card brand in the co-badged debit card.
- Influence customers to use specific card or card network (brand) via incentives and discounts.

Merchants are empowered to steer their customers to use the lowest cost card or network (brand)

Conclusion

Conclusion

- In the past 5 years, BNM had created an enabling environment for the country's migration to e-payments.
- SMEs and micro-enterprises should hasten their adoption of e-payments to -
 - migrate away from cheques to adopt credit transfer which are now more affordable, accessible and has value adding features.
 - migrate away from cash by accepting debit card which has been made more affordable through lower MDR.

With the adoption of e-payments and rationalisation of manual processes, businesses would be able to reap the benefits of cost-savings and efficiency gains.