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Headline: **Malaysia's E-Payment Laws Could Deter Foreign Investors**

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## Malaysia's e-payment laws could deter foreign investors

*ICTF made it mandatory that all transactions data must be kept in Malaysia*

**By NG MIN SHEN / Pic By BLOOMBERG**

**Malaysia's** move to implement a proprietary electronic payment (e-payment) transfer framework next month is seen as protectionist and could harm foreign investments into the country's booming digital economy, said an international trade expert.

Under the Interoperable Credit Transfer Framework (ICTF) announced by Bank Negara Malaysia in March this year, all e-payment transactions must be conducted locally via a single operator.

The framework, which will come into force on July 1 this year, made it mandatory that all transactions data must be kept in Malaysia.

ICTF also allows money transfer to and from digital wallets and banks by referring simply to a mobile phone number, identification number or QR (quick response) code.

US-Asean Business Council VP of policy Marc Mealy said these two provisions — single payment operator and data storage — would be viewed negatively by foreign financial players.

"It does send a negative signal to foreign players who have a long history of investing here in Malaysia. They have been part of the e-payment industry because this is a good place to do business, and this kind of regulation would send the opposite signal," he told *The Malaysian Reserve*.

Mealy said the conditions imposed for e-payment have become "a concern for US companies".

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"Any global firm examines many variables when making business decisions," he said, stressing that ICTF would become a very significant variable when companies decide their investments, expansion and new technology related to e-payment.

"It may not be the only variable, but definitely from what we understand, it's quite significant," Mealy said.

ICTF was meant to encourage e-payment, get new players to participate in the financial sector and spur cashless transactions. Besides the global leaders in e-payment, like Visa and MasterCard, the burgeoning of e-wallets has created new non-banking players, like Alibaba Group Holding Ltd's Alipay, Samsung Pay and Ten-cent Holdings Ltd's WeChat Pay. Local players include Axiata Digital Services Sdn Bhd's Boost, DiGi.Com Bhd's vcash and PUC Bhd's Presto.

Malaysia hopes to become a cashless society by 2050. But presently, 80% of the transactions are made in cash, while the balance are conducted through various e-payment channels.

Mealy said regulating the e-payment ecosystem hampers competition and stifles innovation, and would come at a cost for Malaysia's burgeoning digital economy.

"Malaysia has a lot of potential start-ups that can attract investments to help them grow. Having a regulatory environment that isn't conducive would limit their growth and development. Being able to move data safely and securely to other jurisdictions is important not only to large firms, but also to smaller companies, as it gives them better access to services on the cloud, which allow them to improve their own technologies," he said.

Under ICTF, financial institutions are required to ensure that any interbank credit transfer and inter-scheme credit transfer transactions are processed in Malaysia through an operator of a shared payment infrastructure.

It is meant to give the central bank control and oversight of the operator, and maintain the safety and integrity of credit transfer systems.

Payments Network Malaysia Sdn Bhd (PayNet) – the entity after the merger between BNM's wholly owned unit, Malaysian Electronic Clearing Corp Sdn Bhd, and Malaysian Electronic Payment System Sdn Bhd – will be the operator of all e-payment transactions.

Mealy said many Asean countries are developing entities like PayNet, but monopolies could harm the market.

"Generally, monopolies do not produce good results for consumers. Monopolies are not the best environment to promote innovation," he said.

He said the requirements to store data within Malaysia would also scare inventors.

"The Malaysian government has generally allowed data and information around local consumers to move across borders, as long as those jurisdictions have good laws and regulations around data privacy and security.

"So, we feel that requirement is inconsistent with the government's historical track record," Mealy said.

"There are global firms that have located data from other markets in Malaysia, because regulations here are very supportive of keeping information safe and secure.

"That's also one way Malaysia has attracted investments. If you had a protectionist environment, global firms in Malaysia maybe couldn't do that kind of investment here."