Promoting the Stability of Payment and Settlement Systems

Key Trends and Developments in the Retail Payment Systems

Enhancing Cross-Border and Regional Cooperation
In 2014, the Bank continued to ensure the safety and resilience of the payments infrastructure in the country to support the financial sector and economy. Under the Financial Services Act 2013, the Real-time Electronic Transfer of Funds and Securities System (RENTAS) and the National Electronic Cheque Information Clearing System (eSPICK) are designated as systemically important payment systems, the disruption of which could affect public confidence or monetary and financial stability. These systems are subject to the Bank’s oversight and regulatory requirements to preserve their integrity and reliability as critical market infrastructure. Apart from these, the Bank also approves and provides oversight over a number of major retail payment systems and instruments for the purpose of promoting their efficiency, integrity and operational reliability.

These large value payment and settlement (LVPS) system and retail payment systems operated smoothly without any major disruption. The Bank nevertheless continued to direct efforts towards strengthening the business continuity and contingency arrangements for these systems to further increase assurance of their resilience. The arrangements were rigorously tested under disaster recovery live run exercises which were conducted to ensure rapid recovery and timely resumption of the LVPS operations. Measures were also taken to enhance the retail payment systems infrastructure in anticipation of further growth in the volume of retail payment transactions. Collectively, these developments have further reduced systemic risk.

The Bank also continued during the year to promote consumer confidence in the use of electronic payment (e-payment) services. While payment fraud incidents have remained low, fraudsters attempted new methods for perpetrating online banking fraud that require vigilance among members of the public. Apart from the continuous updating of security arrangements by banks and issuers of designated payment instruments to address emerging fraud threats, consumer protection arrangements were also enhanced alongside a sustained programme to educate consumers on how to conduct online payments and transfers safely.

PROMOTING THE STABILITY OF PAYMENT AND SETTLEMENT SYSTEMS

Oversight of Real-time Electronic Transfer of Funds and Securities System (RENTAS)

In 2014, RENTAS settled transactions amounting to RM49.1 trillion, which is 45.9 times of Malaysia’s gross domestic product (GDP), compared with RM46.4 trillion in 2013. The average daily transaction volume and value increased by 10.5% and 6.2%, from 16,061 transactions and RM188 billion in 2013 to 17,753 transactions and RM199.7 billion, respectively in 2014 (Chart 5.1). Interbank money market, securities and foreign exchange settlements amounted to RM26.3 trillion or 53.5% of the total value of RENTAS transactions, while the remaining transactions were mainly funds transfers by the Government and corporates. The growth in transaction volume was largely driven by higher third-party funds transfers, which have increased at an average rate of 14.5% over the last four years.

While RENTAS operations continued to sustain a high level of operational availability without any system disruption in 2014, there were four minor incidents in which technical errors in the

![Chart 5.1](chart5.1.png)

RENTAS: Daily Average by Volume and Value

Source: Bank Negara Malaysia
operations of the retail payment system resulted in slight delay in settlements of interbank net clearing positions. This demonstrates the dependencies between RENTAS and the operational reliability of retail payment systems which settle through RENTAS. To mitigate the recurrences of such incidents, several measures were taken to enhance the infrastructure of the retail payment systems. There is also a strong incentive for participants to ensure operational reliability through the implementation of a penalty system for disruptions caused in the clearing and settlement process.

As part of ongoing efforts to ensure the ability of RENTAS to resume services in a timely manner in the event of any disruption, a “mid-day failure” simulation exercise was conducted by the Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear) to test the effectiveness of disaster recovery (DR) arrangements. This was in addition to the routine monthly DR live runs and biannual DR-to-DR live runs. The exercise, which was carried out on a weekend and involved the participation of 66 RENTAS members, simulated a mid-day RENTAS failure and the activation of RENTAS operations at the MyClear DR site. In the exercise, RENTAS operations resumed within an hour, well within the recovery time objective of two hours.

The settlement frequency of Interbank GIRO (IBG) in RENTAS has been increased from two times to five times daily to enable faster crediting of customers’ accounts. As a result, for IBG transactions conducted between 12.30 p.m. to 5.00 p.m., the funds can now be received on the same day. In order to mitigate interbank credit risks, the interbank settlements for IBG transactions now precede the crediting of customers’ accounts. To cater for the higher settlement frequency of IBG positions, RENTAS operating hours were extended from 6.00 p.m. to 9.00 p.m. with effect from 8 December 2014. To facilitate the evening settlement of the IBG obligations, the Bank also introduced the Automated Collateralised Overnight Funding Facility for IBG participants to obtain funds after the money market closes.

Oversight of retail Payments

Several key initiatives have been undertaken to enhance the retail payment systems infrastructure in anticipation of further growth in e-payment transactions. In June 2014, a technology refresh exercise was carried out to upgrade the hardware and software of the IBG system. The resultant increase in both the capacity and efficiency of the IBG system will ensure it is able to cope with the rising volume of IBG transactions. A stress test revealed that the enhanced IBG system would be able to process twice the maximum volume of transactions per window. A technology refresh exercise was also undertaken for the Shared automated teller machine (ATM) Network (SAN) and the domestic debit card system, which increased the capacity of transaction processing.

eSPICK remained resilient and continued to operate without any major disruption throughout the year. Nonetheless, to ensure the continuous reliability of eSPICK, a hardware upgrading exercise will be undertaken in 2015, which is expected to extend its lifespan by another five years.

The Bank also conducts supervision over the payment system operators. In 2014, supervisory activities focused on ensuring the operational reliability of retail payment systems, the adequacy of business continuity arrangements and the ability of the systems to support higher volume of e-payment transactions. These reviews concluded that the systems have sufficient scale and capacity to cater for the anticipated growth in transaction volume. Semi-annual DR live runs were also conducted on the retail payment systems to ensure the systems remain resilient in the event of a disaster at the primary data centre.

The settlement frequency of Interbank GIRO (IBG) in RENTAS has been increased from two times to five times daily

Payments fraud

Fraud related to the use of payment cards, online banking and cheques remained low in 2014 (Chart 5.2 and Chart 5.3). This can be attributed to various measures undertaken to enhance payments security such as the migration to chip-based cards in 2005 and the implementation of a strong authentication method for online transactions since April 2012 which requires cardholders to enter a unique one-time password to authorise online transactions. The majority of online payment card fraud in Malaysia involves foreign e-commerce merchants. About 93% of total online fraud
losses were borne by foreign financial institutions abroad that have yet to implement the strong authentication method, in line with the payment card schemes rules which require the party with weaker security to bear the losses arising from fraud.

Fraud related to the use of payment cards, online banking and cheques remained low in 2014, attributed to various measures undertaken to enhance payments security.

In February 2014, the Bank issued regulations to raise the minimum security requirements for debit and charge cards to the same level as credit cards. These security requirements include the implementation of transaction alerts and a strong authentication method for online transactions. The Bank also required financial institutions to only enable card-not-present (CNP) transactions (for mail order, telephone order or online purchases) and overseas transactions for debit and prepaid cards upon the request of cardholders. This further mitigates the risks associated with such transactions. As part of continuous efforts to strengthen the security of payment cards, the Bank has also set a deadline of 1 January 2017 for all payment card issuers and acquirers to enable “Chip and PIN” verification for point-of-sale (POS) transactions.

During the year, a new modus operandi for online banking fraud was detected, which involved the theft of banking credentials from victims’ computers or smartphones using sophisticated malware. To address this new threat, banks and issuers of designated payment instruments have further strengthened their risk management measures by recalibrating the risk parameters in their fraud detection system based on the risk profiling of the latest fraud threats in online banking and payment instruments. Safety alerts also continued to be issued to customers at key touch points to educate customers on how to protect themselves against fraud. New and more sophisticated fraud methods can often increase inconveniences suffered by consumers as more time may be required to investigate fraud incidents to ascertain liability. To address this, financial institutions were required to provisionally credit customer accounts when the investigators’ fraud investigations cannot be completed within a reasonable time. This is important to enhance confidence among the public in using e-payments. Nevertheless, to deter the risk of fraudulent claims, the financial institutions also provide adequate warnings to their customers of the actions that can be taken for any attempts to make false claims.

The Bank has set a deadline of 1 January 2017 for all payment card issuers and acquirers to enable “Chip and PIN” verification for point-of-sale (POS) transactions.

While cheque fraud has remained negligible relative to total cheque transactions, MyClear is in the process of enhancing current mechanisms for resolving disputes under the eSPICK participation and operation rules to cater for emerging forms of cheque fraud. One such form of cheque fraud has been the interception of cheques sent using pre-printed envelopes provided by payees. Given that precautions taken by consumers remain the first line of defence against fraud, banks have continued to be proactive in sharing information and raising alerts to consumers regarding emerging fraud methods.

Chart 5.2

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment Cards</th>
<th>Online Banking</th>
<th>Cheque</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.050</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.040</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>0.030</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>0.020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>0.010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Payment cards consists of credit card, debit card and charge card
*Online banking refers to online banking transactions conducted by individuals
Source: Bank Negara Malaysia
KEY TRENDS AND DEVELOPMENTS IN THE RETAIL PAYMENT SYSTEMS

Cash Usage
In 2014, the value of cash-in-circulation (CIC) increased by 8.5% to RM68 billion, while the ratio of CIC to GDP remained at 6.4%. Malaysia’s CIC-to-GDP ratio, which has increased steadily since 2010, is significantly higher than in advanced countries such as Norway, Sweden, Denmark and United Kingdom (UK) where debit cards are more widely used (Chart 5.4). Compared to the previous year, ATM cash withdrawals increased in 2014 by 10.9% and 10% in volume and value respectively, to 583.8 million transactions amounting to RM315.1 billion. While debit card transactions also increased in the same period to 68.8 million transactions valued at RM14.8 billion, the ratio of debit card transactions to ATM cash withdrawals remained very low at one debit card transaction for every eight ATM cash withdrawals (Chart 5.5). These statistics illustrate the continued prevalent use of cash as a medium of payment in Malaysia.

Non-Cash Retail Payments
The use of e-payments continued to increase while cheque usage declined relative to other non-cash payment instruments (Chart 5.6). In 2014, 92.5% of non-cash payments were made electronically compared to 85.6% in 2010. The total number of e-payment transactions has increased from 1.2 billion in 2010 to 2.2 billion in 2014. On a per capita basis, this is equivalent to an increase from 43 e-payment transactions per person in 2010 to 72 transactions in 2014.
There has been a significant decline in the volume of cheques in 2014 to 177.1 million cheques valued at RM1.9 trillion. This represents a decline of 10.1% compared to a decline of 3.3% in the previous year, mainly attributed to the introduction of pricing reforms, enhanced IBG services and awareness campaigns to promote the use of e-payments. (Chart 5.7)

The use of e-payments continued to increase while cheque usage declined relative to other non-cash payment instruments.

Encouraging growth of IBG
With the introduction of the flat rate transaction fee of 10 sen in May 2013, IBG transactions have increased by 36.2% from the previous year to 113.6 million transactions valued at RM432.5 billion. To further broaden access to e-payments, banks have enabled ATMs to facilitate electronic funds transfer (EFT) via IBG to cater for segments of the society that do not have access to the Internet. Customers are now able to conduct funds transfers via IBG or Interbank Fund Transfer (IBFT) at 30 sen or less at 9,945 ATMs nationwide, covering 80% of the total ATMs in the country. Banks have also installed self-service Internet kiosks at selected branches for customers to perform IBG and other online banking transactions. Currently about 85% of total bank branches nationwide are equipped with at least one kiosk.

The IBG service has also been improved to enhance user convenience. To facilitate reconciliation of payments, the payer’s name and payment reference are now displayed in the beneficiary’s bank account statements. Future-dated IBG service has also been introduced to enable IBG transactions to be processed at a later date, similar to post-dated cheques.

Future-dated IBG service has also been introduced to enable IBG transactions to be processed at a later date, similar to post-dated cheques.

Payment cards
The use of payment cards (debit cards, credit cards and charge cards) has increased by 8.6% and 8.8% in terms of volume and value, from 385.8 million transactions worth RM118 billion in 2013 to 419.1 million transactions valued at RM128.8 billion in 2014. Credit cards remain the most widely used payment card, constituting 82.5% of the total transaction volume, while debit and charge cards accounted for 16.4% and 1%, respectively (Chart 5.8).

Despite the high penetration of secure chip-based payment cards in Malaysia (43.4 million debit cards and 8.2 million credit cards for a
population of 30.3 million), there are only 239,802 POS terminals or eight POS terminals per 1,000 inhabitants. The growth rate of POS terminals has also slowed considerably from 14.6% in 2011 to just 5.3% in 2014, indicating a potential saturation of POS terminals at higher tier merchants who are able to afford the current level of merchant discount rates. The lower ratio of debit card to credit card transactions and the slower growth in POS terminals underscored several distortions in the payment card market which led to the implementation of a series of measures by the Bank to reform the payment card industry.

Payment Card Reform Framework
In 2013 and 2014, the Bank conducted a comprehensive study on interchange fees and payment card rules and practices in Malaysia amid a series of interchange fee hikes in the domestic payment card market. The interchange fee is a fee which is paid by the merchant’s bank (acquirer) to the cardholder’s bank (issuer) to cover costs incurred in facilitating a payment card transaction. The study revealed that the existing interchange fee regime in Malaysia creates distortionary incentive effects which encourage the promotion of higher cost payment cards at the expense of other more cost-effective payment cards. Operators of payment card networks are competing with each other not by reducing the fees that they impose on issuers and acquirers, but by increasing the interchange fees to incentivise the issuance and promotion of payment cards under their brand. The indiscriminate increase in interchange fees, in turn, is raising the prospect of a system-wide increase in merchant discount rates (MDR), which is likely to be passed on to consumers through higher prices of goods and services. The escalating cost of payment card acceptance would also curb the expansion of the POS network, especially among smaller merchants which are unable to afford the higher MDR cost. The Bank also observed that certain rules and practices within the payment card industry lack transparency and inhibit competition in ways that hinder the wider use and acceptance of more cost-effective payment cards in Malaysia.

Following the study, the Bank issued the Payment Card Reform Framework (Framework) in 2014 with the objective of fostering a more efficient, transparent and competitive payment card industry. The Bank issued the Payment Card Reform Framework with the objective of fostering a more efficient, transparent and competitive payment card industry.

Key measures
The Framework has two key thrusts. The first is introducing an objective and transparent mechanism for the setting of interchange fees for domestic payment card transactions. Under this mechanism, interchange fees for debit, prepaid and credit card transactions are subject to ceilings which are based on the underlying cost structure of the respective payment cards (Table 5.1). Debit and prepaid cards will correspondingly be more cost-effective, which in turn will expand their acceptance by more merchants. As a measure to accelerate the acceptance of payment cards for payments to the Government which account for a significant share of payment transactions, the interchange fee ceiling for debit and prepaid cards will be set at zero for a period of six years.

Table 5.1

<table>
<thead>
<tr>
<th>Payment Card Transaction</th>
<th>Prevailing Interchange Fee Rates</th>
<th>Interchange Fee Ceiling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic debit card</td>
<td>0.40%</td>
<td>‘0.15%’ or ‘50 sen + 0.01%’ (whichever is lower)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0% (for payments to Government)</td>
</tr>
<tr>
<td>International debit/prepaid card</td>
<td>0.99% - 1.20%</td>
<td>‘0.21%’ or ‘70 sen + 0.01%’ (whichever is lower)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0% (for payments to Government)</td>
</tr>
<tr>
<td>Credit card</td>
<td>1.32% - 1.80%</td>
<td>‘1.10%’ from 2015 to 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.48% (from 2021 onwards)</td>
</tr>
</tbody>
</table>

1 Zero interchange fee for payment to the Government or its agencies for six years (2015 to 2020).
2 Ceiling of 1.1% if a Market Development Fund is established, otherwise the ceiling is set at 1.0%.

Source: Bank Negara Malaysia
Following consultations with the industry, a higher interchange fee ceiling above the eligible transaction-related costs for credit card transactions has been maintained for an interim period between 2015 and 2020. This aims to build financial allocations by the industry which will be channelled towards enhancing the domestic payment card infrastructure and to promote the use of debit cards. The payment card industry has committed to a series of annual targets during this period (Table 5.2) which will serve as the basis for ensuring that the financial allocations are being directed towards their intended purpose of expanding the use and acceptance of debit cards for payments. The Bank will closely monitor the achievement of the specified targets, and failure to meet the targets will result in the interim ceiling being lowered to the eligible transaction-related costs level based on a pre-determined formula.

The Framework will introduce an objective and transparent mechanism for the setting of interchange fees for domestic payment card transactions

The second thrust of the Framework is increasing transparency and promoting competition in the payment card market, while safeguarding the interests of consumers (Table 5.3). Measures supporting this thrust are largely aimed at improving price signals and providing merchants with greater control over the costs that they can bear for payment card acceptances. Over the longer term, this is expected to increase payment card acceptance and reduce the likelihood of future increases in MDR costs being passed entirely on to consumers.

The Framework is expected to promote the orderly and sustainable growth of the payment card industry over the long term. Consumers will be able to use payment cards more widely as more merchants accept payment cards as a result of lower payment card acceptance costs. In addition to the lower cost of payment card acceptance, merchants will also benefit from the increased convenience and operating efficiencies brought about by wider payment card usage. A higher payment card transaction volume will also generate higher revenue for banks in respect of their acquiring business and reduce the costs incurred in handling cash.

Consumers will be able to use payment cards more widely as a result of lower payment card acceptance costs incurred by merchants

Accelerating the migration to e-payments
Throughout 2014, both the Bank and the banking industry continued to direct considerable effort and resources at improving the accessibility, efficiency and reliability of e-payment services in Malaysia.

With effect from 1 October 2014, a tiered pricing structure was introduced for e-payment services to encourage the use of more cost-effective payment channels. Under the new pricing structure, transactions conducted via online banking channels will attract the lowest fee, followed by transactions carried out at ATMs and lastly, transactions performed over-the-counter (OTC). For example, the fee for IBG transactions is 10 sen via online banking, 30 sen at ATMs and RM2 for OTC.

### Table 5.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Cumulative POS terminals*</td>
<td>280,000</td>
<td>330,000</td>
<td>430,000</td>
<td>560,000</td>
<td>690,000</td>
<td>800,000</td>
</tr>
<tr>
<td>*including 30% contactless terminals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Debit card transactions (million)</td>
<td>89</td>
<td>137</td>
<td>246</td>
<td>433</td>
<td>681</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: The Association of Banks in Malaysia (ABM) and the National Cards Group (NCG)
To sustain the drive for continuous improvements in the e-payment infrastructure and services offered, the Bank introduced the e-Payment Incentive Fund (ePIF) framework, which came into effect on 2 January 2015. Under this initiative, banks are required to channel the cheque processing fees collected into providing incentives for customers to migrate to e-payments, such as by waiving e-payment transaction fees, security token fees and monthly maintenance fees.

To further promote consumer awareness, transparency and competition, banks have also been required since 1 October 2014 to publish details of

### Table 5.3

<table>
<thead>
<tr>
<th>Measures</th>
<th>Rationale</th>
<th>Regulatory Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unbundling of MDRs for payment cards</td>
<td>To ensure MDR reflects the cost structure of payment cards</td>
<td>Acquirers to unbundle MDRs for: • Domestic debit card transactions • International debit/prepaid card transactions • Credit card transactions</td>
</tr>
<tr>
<td>2. Facilitating the identification of debit cards and international prepaid cards</td>
<td>To enable merchants to distinguish debit cards and prepaid cards from credit cards</td>
<td>Issuers to ensure debit cards and international prepaid cards are visually and electronically identifiable</td>
</tr>
<tr>
<td>3. Removing restriction on co-badging of debit cards</td>
<td>To increase competition among debit card networks</td>
<td>• Any rule or practice that restricts or prevents co-badging of debit cards is prohibited • Issuers to ensure equal prominence is given to the branding of debit card networks in a co-badged debit card</td>
</tr>
<tr>
<td>4. No surcharging for debit card and prepaid card transactions</td>
<td>To promote the use of cost-effective payment cards</td>
<td>Acquirers to ensure that merchants do not impose any surcharge on domestic debit card and international debit/prepaid card transactions</td>
</tr>
<tr>
<td>5. Empowering merchants to steer customers to use cost-effective payment cards</td>
<td>(a) To enable merchants to prefer/accept the lower-cost payment card to minimise the country’s retail payment cost (b) To ensure disclosure of the cost of payment card acceptance to merchants (c) To ensure MDR is reflective of changes in interchange fees, and promote competition among acquirers to lower MDR</td>
<td>• Any rule or practice with the following object or effect is prohibited: - Restrict or prevent merchants from steering customers to use a particular payment card or network - Restrict or prevent merchants from setting priority routing for co-badged payment cards - Restrict or prevent the number of networks through which a transaction may be routed at the POS - Restrict or prevent merchants from giving equal prominence to all networks at the POS - Merchant statements to contain the following: - MDR for each transaction - Interchange fee rate for each transaction - Website address of payment networks where interchange fee rates are published - A notice of reduction in MDR following a reduction in interchange fee, or an explanation if there is no reduction in MDR</td>
</tr>
<tr>
<td>6. Prohibition on exclusivity to an account or line of credit</td>
<td>To promote competition among payment card networks and payment systems</td>
<td>Any rule or practice which restricts or prevents an account or a line of credit from being accessed via different payment card networks or payment systems is prohibited</td>
</tr>
<tr>
<td>7. Minimum product offering for payment cards</td>
<td>To enhance consumer choice and prevent issuers from charging excessive fees for unwanted payment card features</td>
<td>Issuers shall offer cardholders the option of obtaining a basic payment card with zero or nominal fees. The basic payment card shall facilitate payment to merchants acquired in or outside Malaysia, or in Malaysia only at the cardholder’s choice</td>
</tr>
</tbody>
</table>

Source: Bank Negara Malaysia
the e-payment services offered at all bank branches and on the websites of banking institutions, the Bank, The Association of Banks in Malaysia (ABM) and The Association of Islamic Banking Institutions Malaysia (AIBIM). The information, which includes the transaction fee, crediting time and transaction limit, will enable the public to compare the e-payment services offered by the banking institutions and select the services that best meet their needs.

With effect from 1 October 2014, a tiered pricing structure was introduced for e-payment services to encourage the use of more cost-effective payment channels.

**Interoperability of payment cards**

The year also saw the launch of the Malaysian Chip Card Specification initiative, an industry effort coordinated by the Malaysian Electronic Payment System Sdn. Bhd. (MEPS) and MyClear, to migrate the domestic debit card from its current proprietary standard to the Europay-MasterCard-Visa (EMV) standard. The use of the EMV standard will improve efficiency, foster greater interoperability and widen the acceptance of the domestic debit cards by merchants across the country. Starting from 2015, cardholders will progressively be issued with new EMV-compliant cards with contactless functionality. The contactless functionality will provide greater convenience to cardholders and also enhance operational efficiency for merchants by reducing transaction times. The migration exercise is expected to be completed by 1 January 2018.

**ENHANCING CROSS-BORDER AND REGIONAL COOPERATION**

The Bank continues to participate actively in a range of regional forums which have an important role in fostering greater integration of payments and settlement infrastructure as well as enhancing the efficiency and stability of payment systems. The Bank is a member of several major regional payment system working groups, including the Working Group on Payment Systems under the Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP), the ASEAN+3 Cross-border Settlement Infrastructure Forum (CSIF) and the ASEAN Working Committee on Payment and Settlement Systems (WCPSS).

During the year, the WCPSS developed the Principles for Product Transparency and Disclosure on Cross-border Trade Settlement (Principles) to ensure that customers have timely access to information about the charges and service levels offered by financial institutions for cross-border trade settlement in the ASEAN region. The higher level of transparency will also improve settlement efficiency and facilitate trade between ASEAN economies. The first group of countries to implement the Principles were Malaysia, Philippines, Singapore and Thailand, while Brunei, Cambodia, Indonesia, Laos, Myanmar and Vietnam will adopt the Principles by end-2015. As part of efforts towards achieving greater regional economic integration as envisioned under the ASEAN Economic Community (AEC), the WCPSS is also conducting research on the use of local currencies for cross-border trade settlement and the expansion of cross-border retail payment linkages to facilitate cross-border payment card and electronic funds transfer transactions.