

Client Alert

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Implementation of the Interoperable Credit Transfer Framework

The Interoperable Credit Transfer Framework ("**Framework**") issued by Bank Negara Malaysia (the Malaysian Central Bank) ("**BNM**") requires all inter-bank credit transfer transactions¹ and inter-scheme credit transfer transactions² to be processed in Malaysia through an operator of a shared payment infrastructure. The Framework came into force on 1 July 2018.

While the Framework does not identify the operator of the shared payment infrastructure, BNM has stated in subsequent discussions and public statements that the operator will be Payments Network Malaysia Sdn. Bhd. ("**PayNet**"). PayNet is jointly owned by BNM and Malaysian licensed banks and operates the existing retail payment systems for fund transfers in Malaysia.

Pursuant to the Framework, PayNet is presently developing the Real-time Retail Payments Platform ("**RPP**") and e-payments through the platform are expected to go live as early as September 2018. In conjunction with the platform, PayNet is also developing a national addressing database which, for the first time in Malaysia, will enable payments to be made using common identifiers such as the recipient's mobile number, National Registration Identity Card (NRIC) number or business registration number.

Payments can also be made under the RPP through the use of a common QR code standard. For this purpose, PayNet is required to establish an interoperable QR (Quick Response) scheme and common QR code. Pursuant to this, PayNet has issued the PayNet Quick Response Code Standard for merchants. However, BNM has clarified recently that it is not mandatory for merchants to adopt the PayNet QR standard. Merchants have the discretion to use its proprietary QR Code standards, or the PayNet QR standard.

Click ([HERE](#)) to view our previous client alert issued in December 2017 which discusses the key features of the Framework.

¹ "Inter-bank credit transfer" means any credit transfer in Malaysia between a bank account maintained with a banking institution and another bank account maintained with another banking institution but excludes any fund transfer between bank accounts maintained with the same banking institution.

² "Inter-scheme credit transfer" means any credit transfer in Malaysia between: (a) a bank account maintained with a banking institution and an e-money account maintained with an approved issuer of e-money; or (b) an e-money account maintained with an approved issuer of e-money and another e-money account maintained with another approved issuer of e-money, but excludes any fund transfer between e-money accounts maintained with the same approved e-money issuer.



Conclusion

The Framework, together with the RPP, is expected to accelerate the displacement of traditional paper-based payment instruments (i.e. cash and cheques) amongst retail consumers and usher in a new wave of innovative payment solutions. Consumer businesses will have to be prepared to upgrade its existing point-of-sale systems to enable e-payments. It is expected that further technical standards and business rules will be issued by PayNet in the near future and participants seeking access to the Real-time Retail Payments Platform will need to apply to PayNet for access. E-wallet providers on the other hand should review their security controls and risk management policies and procedures as BNM has indicated that these are areas it will focus on as part of managing cyber security risks.

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