

Frequently Asked Questions (FAQs)

Electronic Money (E-Money)

Last updated: 31 January 2025

This document is divided into two parts. Part A of this document supplements the policy document on Electronic Money (E-Money PD) dated 31 January 2025 and is intended to enhance public understanding on the requirements and to clarify interpretation issues likely to be faced by e-money issuers (EMIs) in implementing the requirements of the E-Money PD.

Part B of this document aims to clarify the regulatory scope and interpretation issues following the issuance of Financial Services (Limited Purpose Electronic Money) (Exemption) Order 2024 [P.U.A 463/2024] and Islamic Financial Services (Limited Purpose Electronic Money) (Exemption) Order 2024 [P.U.A 461/2024] on limited purpose EMIs.

Part A – FAQs relating to E-Money PD

1. What are the key objectives of this E-Money PD?

Given the increasing prominence of e-money coupled with the proliferation of e-money players and business models in the Malaysian payment landscape, the revisions in the e-money regulatory framework aim to strengthen the safety and reliability of EMIs as well as to preserve public confidence in using e-money. This is achieved via enhanced requirements on several key areas under the E-Money PD, namely-

- (a) re-categorisation of EMIs based on the nature of their business model and risk profile;
- (b) revised minimum capital fund requirements to strengthen business resilience of the EMIs;
- (c) enhanced prudential requirements on safeguarding of customers' funds, governance and other operational risk management proportionate to the category of EMIs and the potential risks they pose.

2. What are the categories of EMIs in Malaysia?

Previously, EMIs were categorised into small or large schemes based on their wallet size and outstanding e-money liabilities (OEML). With the issuance of this E-Money PD, EMIs are now classified into the following categories-

- (i) Standard EMI: Default category of EMI upon approval under Section 11 or Section 15(1)(e) of the Financial Services Act 2013 (FSA) or Section 11 of the Islamic Financial Services Act 2013 (IFSA), where it does not meet the criteria of an eligible EMI; and
- (ii) Eligible EMI: EMI that has substantial market presence and meets the criteria as stated in Appendix 1 of the E-Money PD. This category of EMI is subjected to higher regulatory expectations.

3. Is an EMI required to self-determine its status as an eligible EMI?

Yes, in determining its status, an EMI may refer to aggregated data on e-money transaction volume, transaction value and OEML available on Bank Negara Malaysia (BNM)'s website¹. If an EMI fulfils any of the criteria for an eligible EMI, such EMI shall notify BNM within three (3) months of its status. A newly upgraded eligible EMI will be given a 12-month transitional period (from the date the EMI fulfils the criteria as an eligible EMI) to comply with the additional requirements applicable to eligible EMIs (e.g., compliance with the policy documents on Risk Management in Technology and Interoperable Credit Transfer Framework).

The detailed criteria to determine an eligible EMI are also listed in the Financial Services (Minimum Amount of Capital Funds) (Approved Person) (Amendment) Order 2022 [P.U. (A) 403/2022]².

¹ Payment Statistics published on BNM's website: <https://www.bnm.gov.my/payment-statistics>

² All Gazette Orders are published on BNM's website: <https://www.bnm.gov.my/gazette-order>

4. Can an eligible EMI who no longer satisfies the eligibility criteria be re-categorised as standard EMI and what are the processes involved?

An eligible EMI who no longer fulfils all the eligibility criteria for any given calendar year and no longer intends to be categorised as an eligible EMI may notify BNM in writing of its intention.

BNM upon receipt of such written notice and is satisfied that the eligible EMI no longer fulfils all the eligibility criteria for any given calendar year, may consider to re-categorise the eligible EMI as a standard EMI. BNM shall inform in writing its decision for the EMI to cease being categorised as an eligible EMI on the date of the written confirmation or such other date specified by BNM.

5. How often should periodic independent reviews be conducted on outsourcing and fraud risk management?

The frequency of periodic independent reviews as set out in paragraphs 18.8 (outsourcing risk management) and 19.3 (fraud risk management) of the E-Money PD shall be determined by the individual EMIs considering the nature, scale and complexity of their business and corresponding risk profile.

6. Is BNM's approval required if EMIs intend to increase their e-money wallet size up to RM5,000?

No, EMIs shall only notify BNM prior to increasing the wallet size to any amount below the RM5,000 provided there are no material changes in the functionality and product features of the e-money, as stated in paragraph 20.9 of the E-Money PD.

Examples of material changes to the e-money's functionality and product features include the introduction of new services such as peer-to-peer (P2P) transfer, cross-border payments or any other changes that may heighten the risk profile of the EMI. The following illustrations provide further examples of potential scenarios:

Scenario	Action required
An EMI increases its wallet size to RM4,000 and increases its maximum limit of P2P transfer service from RM100 to RM300.	To notify BNM as the wallet size remains below RM5,000 and there is no material change to the functionality of the e-money.
An EMI currently does not offer P2P transfer services. The EMI plans to increase the wallet size to RM4,000 and introduce P2P transfer services.	To seek BNM's prior written approval as there is a material change to the functionality of the e-money although the new wallet limit is still below RM5,000.

7. What are examples of significant changes that would require BNM's approval?

EMIs shall seek BNM's approval on any proposed changes to their e-money business model that results in a significant change in its risk profile from a financial soundness, reputational or operational perspective. This includes significant variations to the EMIs' approved business plan, offering of new products or services and the imposition of new or higher fees and charges.

8. Do non-bank EMIs need to obtain BNM's approval to promote or cross-sell financial products and services on their platform or system?

Yes, non-bank EMIs need to obtain BNM's approval prior to using its e-money platform or system to promote or cross-sell any financial products and services. Examples of financial products and services include, but are not limited to, insurance or takaful products, money market funds, capital market products and derivatives. In offering such products or services, the EMIs' responsibilities shall include ensuring that the platform used to facilitate purchase and payment transactions is secure, performing e-KYC to on-board their customers, providing timely customer service and support as well as establishing clear roles and responsibilities between EMIs and their cross-selling partners in managing complaints.

For avoidance of doubt, such approval is required even for cross-selling via a platform or system of a non-bank EMI's white-label partner. In this case, the EMIs shall also be responsible for ensuring potential risks from the mis-selling of financial products and services on the white-label partner's platform or system are mitigated.

9. Is e-money subjected to the Unclaimed Moneys Act 1965?

Yes, balances in e-money accounts that have been inactive for a period of seven (7) consecutive years, or any other period as may be specified by the Accountant General's Department, shall be treated as unclaimed moneys and lodged with the Registrar of Unclaimed Moneys.

10. When would an e-money account be considered inactive?

In line with best practice, an e-money account is typically deemed as inactive if the customer has not made any financial transaction, such as reloading, fund transfer or purchase transaction, within a period of one (1) year or more from the last date of transaction.

11. How can customers enquire or make a complaint on e-money?

Members of the public are encouraged to refer to BNM's website for information pertaining to the regulatory framework for e-money. Further queries or complaints on e-money or EMIs can be channelled to BNM at 1-300-88-5465 or <https://telelink.bnm.gov.my>.

Part B – FAQs relating to Exemption Order on Limited Purpose E-Money

1. What is Limited Purpose EMI (LP EMI)?

LP EMI is a person who issues e-money with limited functionality that fulfils the criteria as stated in the Financial Services (Limited Purpose Electronic Money) Exemption Order 2024 and Islamic Financial Services (Limited Purpose

Electronic Money) Exemption Order 2024³. Given its limited scope of activities and expected low risk, LP EMI is exempted from the application of paragraph 8(1)(b) and section 11 of the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA).

2. Is BNM's approval required to operate as LP EMI?

No. Nevertheless, LP EMIs that issue e-money used within a network of merchants or a single premise, as stated in paragraph 1(a) of the category of limited purpose e-money in the Schedule of EO, are advised to notify BNM based on the following timelines-

- (a) If yet to commence business: To notify BNM at least one (1) month prior to operationalising the e-money scheme; or
- (b) If an existing EMI: To notify BNM within three (3) months of the issuance of the EO.

In addition, the aforementioned LP EMIs must submit: (i) an undertaking that the LP e-money issued satisfies the criteria stated in paragraph (a); and (ii) statistical information attested by an external auditor to BNM on an annual basis. In cases where LP EMIs no longer satisfy the definition or criteria for exemption, they must apply within one (1) month to obtain BNM's approval under Section 11 of the FSA or IFSA if it intends to continue to carry out e-money business.

3. What are examples of LP EMIs that satisfy the criteria in paragraph (a) of the definition of LP e-money in the EO?

Examples of LP EMIs that satisfy the criteria in paragraph (a) of the definition of LP e-money include-

³ All Exemption Orders are published on BNM's website: <https://www.bnm.gov.my/exemption-order>

Criteria	Examples
a) Used within a network of merchants under a single business network and brand	i. LP EMIs that issue e-money used to make payments for parking services at multiple locations, e.g. at mall A, carpark B and hotel C (representing a network of merchants) that belongs to the same management company (representing a single business network) and operates under a single brand (e.g. XYZ Pay & Park). ii. LP EMIs that issue e-money used to make payment at multiple schools and colleges (representing a network of merchants) that belong to a single education business group (representing a single business network) and operates under a single brand (e.g. XYZ education group).
b) Used within a single premise	i. LP EMIs that issue e-money that can only be used within XYZ mall. ii. LP EMIs that issue e-money used for payment to merchant A (e.g. café) and merchant B (e.g. convenient store) in the same premises (e.g. school or workplace).

4. Are there specific entities that can qualify as LP EMIs for mobile prepaid airtime?

Yes, only telecommunications companies regulated by the Malaysian Communications and Multimedia Commission (MCMC) are qualified to operate as LP EMIs for mobile prepaid airtime.

5. If a company is issuing loyalty points to its customers, is it considered as LP EMI?

This depends on whether the rewards fulfil both the definition of e-money:

- (a) there is element of exchange of funds with the issuer;⁴ and
- (b) can be used to make payment to a person other than the issuer.⁵

In cases where the rewards are –

- (i) issued to customers by Company A but funded by a third party (e.g. partner merchants);
- (ii) solely used for the purchase of goods or services from any person other than the third party providing the funds (e.g. other partner merchants), and
- (iii) stored in an account which is separated from the user's electronic money account,

then such products are deemed as LP EMI under the category of rewards⁶.

6. Can LP EMIs facilitate physical cash withdrawals?

No, LP EMIs are not allowed to facilitate physical cash withdrawals. Nevertheless, LP EMIs can facilitate the transfer of funds from the limited purpose e-money account into the customer's own bank account.

7. What are the disclosure requirements that LP EMIs must observe?

LP EMIs shall clearly disclose their status as LP EMI and that their activities are not subjected to BNM's requirements applicable to approved EMIs under the FSA and IFSA. The disclaimer shall clearly be presented and made conspicuous to the customers on the product (e.g. mobile app or physical card) and through other channels (e.g. websites, social media and branches, if any). For avoidance of doubt, LP EMIs are prohibited from making any form of explicit representation or otherwise that may suggest that they are authorised and regulated by BNM.

⁴ For avoidance of doubt, if the fund is sourced from the issuer, it is not deemed as e-money.

⁵ For avoidance of doubt, if the product is issued by Company A and can only be used to make payment to Company A, it is not deemed as e-money.

⁶ The issuer of the rewards must also be able to facilitate the transfer of any amount of stored funds in the customer's limited purpose electronic money account into any bank account of the customer.

8. What are the processes involved if a standard EMI wishes to be re-categorised as LP EMI?

A standard EMI that has reduced the scope of its operations and intends to be re-categorised as LP EMI shall write to BNM to obtain confirmation on the change in status and cessation of its approval status.