

**Response to feedback received**  
***Payment System Operator***

**Introduction**

The Bank has finalised and issued the policy document on *Payment System Operator (PSO PD)* with the main objective of ensuring the safety, efficiency and reliability of payment systems in Malaysia.

To ensure the objectives set out in the PSO PD are met and to facilitate effective implementation, the Bank had continuously engaged the industry for feedback. Based on the feedback received, the Bank had undertaken further refinements to the regulatory requirements as reflected in the final PSO PD. Further clarification on these revisions as well as the Bank's responses on other areas raised by the industry players are set out in this document.

The Bank wishes to record its appreciation to all respondents for providing valuable insights and constructive inputs that have helped the Bank in finalising this PSO PD, which will take effect immediately.

**Bank Negara Malaysia**  
**22 December 2022**

## **1. Demonstration of compliance**

- 1.1 Some respondents have proposed for the policy document to recognise the operating structures and business practices of PSOs which leverage on its parent and/or foreign related entities to offer its services in Malaysia, in order to minimise compliance burden. This includes areas relating to a PSO's governance, risk management and operations.
- 1.2 In the finalised PD, the Bank has acknowledged the different structures and practices of PSOs operating in Malaysia which comprise of both domestic and foreign-owned PSOs. Therefore, in meeting the requirements of the PD, the PSOs may demonstrate their compliance based on their existing group structures and practices of individual PSOs, where relevant, supported by documentary evidence<sup>1</sup>. These documentary evidence may include audit reports, assessments from home regulators, attestation of compliance and other relevant documents as may be requested by the Bank.
- 1.3 A PSO must ensure that such documents are verified and signed off by an authorised senior officer for submission to the Bank.

## **2. Business risk and credit risk**

### *Adequacy of liquid net assets funded by equity and financial resources*

- 2.1 A few respondents have sought clarity on whether PSOs are allowed to self-determine the adequacy of liquid net assets funded by equity as well as financial resources to cover its credit exposure to each participant. They also enquired on whether the minimum amount of liquid net assets funded by equity required should be determined based on a PSO's Malaysian operations only.
- 2.2 At minimum, a PSO shall maintain liquid net assets funded by equity equal to at least six months of its current operating expenses. Notwithstanding, a PSO shall also ensure that its overall adequacy of liquid net assets funded by equity is reflective of its business risk profile and is sufficient to support its operations as a going concern under normal and stressed operating conditions.
- 2.3 In computing the current operating expenses, it should generally be made in reference to the Malaysian operations of a PSO. In cases where the

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<sup>1</sup> For the avoidance of doubt, documentary evidence and justification shall be submitted to Jabatan Pemantauan Perkhidmatan Pembayaran (JPP)

calculations of operating expenses are prepared on a consolidated basis covering operations of activities outside of Malaysia as well, a PSO may justify and demonstrate its compliance to the Bank based on its existing practices.

- 2.4 Unlike liquid net assets funded by equity, a PSO may self-determine the sufficiency of financial resources to cover its credit exposure to each participant, based on its risk assessment on the participant.

### **3. Outsourcing arrangement**

#### *The Bank's power on the PSO's outsourcing arrangement*

- 3.1 Respondents have expressed concern on the Bank's right to access information or documents relating to a PSO's outsourcing arrangements. This is in view that foreign-owned PSOs typically execute their outsourcing arrangements at group/regional level and therefore, information may cover activities beyond the PSO's Malaysian operations.
- 3.2 The Bank wishes to clarify that the primary objective of requiring access to information on a PSO's outsourcing arrangement is to ensure the soundness of the PSO's Malaysian operations. While the focus is only on outsourcing arrangements related to the PSO's Malaysian operations, it is essential for the Bank to have access to other outsourcing arrangements that could potentially disrupt the PSO's Malaysian operations, for effective supervision or intervention. Cognizant of the concern raised, the Bank may accept such information in the form of the PSO's independent assessment of the outsourcing arrangements and/or information from the outsourced service provider.