

Adjustment to the Debit Card Interchange Fee Ceiling for Mobile Wallet Transaction

As the payment card ecosystem continues to evolve in line with the advancement of technology and consumer demand, Bank Negara Malaysia (the Bank) remains committed to fostering a conducive regulatory environment supportive of innovation for the benefit of consumers and businesses. In recent years, the Bank has observed a notable growth in mobile wallet adoption in Malaysia, which has contributed to the overall migration towards e-payment.

2. Cognizant of this development, the Bank has undertaken a limited review of the interchange fee ceiling and related requirements to support further adoption of debit card via mobile wallet services¹ in a fair and sustainable manner. This letter sets out the revised requirements under the Payment Card Framework Policy Document (PCF PD) as follows:

- a) A new interchange fee structure is introduced for mobile wallet services as set out under paragraph 2 of Appendix 1 of this letter. The revised interchange fee structure recognises the additional costs associated with enablement of mobile wallet services and will be implemented in phases with the immediate focus on debit cards². This provision will supersede the Appendix of the PCF PD; and
- b) Issuers and acquirers shall ensure the enablement of the lowest cost routing network³ for co-badged debit cards provisioned in mobile wallets services, applicable to both card-present and card-not-present acceptance methods, as set out under Appendix 2 of this letter. This requirement aims to uphold the merchant choice routing (MCR) rights by enabling them to choose their preferred routing network for mobile wallet transactions similar to physical cards whilst ensuring the cost of card acceptance remains competitive.

The finalised requirements have considered industry feedback on the Consultation Letter on Proposed Requirements under the Payment Cards Framework issued on 5 February 2025. The Bank's responses to key feedback obtained are provided in the Feedback Statement in Appendix 3 of this letter.

3. In line with paragraph 10.9 of the PCF PD, an operator of a payment card network and an acquirer shall not impose a condition that requires merchants who accept debit cards under its network for domestic transactions, to –

- a) accept other payment cards such as credit cards or prepaid cards under the same payment card network; and
- b) accept all card acceptance methods available for card-present or card-not-present transactions. For avoidance of doubt, this shall also cover payment card transactions initiated via mobile wallet services.

4. In implementing the requirements under paragraph 2 above and in line with paragraph 10.1 of the PCF PD, acquirers shall clearly inform the merchants the following:

- a) the applicable interchange fee rate for each type of payment card transaction, including paragraph 2 of Appendix 1 of this letter;
- b) the applicable Merchant Discount Rate (MDR) for each payment card and payment card

- method, where relevant; and
- c) the website address of each payment card network where details of the interchange fee rates are published.
5. As part of compliance monitoring, the Bank reserves the right to request acquirers to submit information on their adherence to the requirements detailed in this letter and the PCF PD. This includes obligations for acquirers to ensure that –
- a) any MDR charged to merchants is specific to each type of payment card transaction (i.e. no bundling of fee), in line with their distinct cost structure, as stipulated under paragraph 10.2 of the PCF PD;
 - b) any upward adjustments to MDR charged to merchants due to this limited review is restricted to card transactions identified in paragraph 2 of Appendix 1 of this letter, and shall not impact MDR of other card transactions; and
 - c) merchants are informed of the available options to manage their acceptance cost, in cases of upward adjustments to MDR charged to merchants. This shall include merchants' right not to accept selected type of payment card transactions.
6. The requirements in paragraphs 2 to 5 above shall come into effect on 1 July 2026 and are specified pursuant to sections 33(1)(a) and 143(2) of the Financial Services Act 2013 (FSA) and section 43(1)(a) and 155(2) of the Islamic Financial Services Act 2013 (IFSA) and must be read together with, and construed as an integral part of the PCF PD. Any reference to the PCF PD shall include a reference to this specification and any reference to the Appendix in the PCF PD shall be deemed as a reference to Appendix 1 of this letter.
7. For avoidance of doubt, all other requirements under the PCF PD including the interchange fee ceilings for other payment card transactions set under paragraph 1 of Appendix 1 of this letter, shall remain unchanged. Notwithstanding, operators of a payment card network are encouraged to offer competitive interchange fee rates below the ceiling.
8. The Bank remains committed to periodically review the interchange fee ceilings and the methodology used to determine these ceilings to ensure that they continue to appropriately reflect eligible costs.

¹ This refers to digital services that enable secure payments via stored payment credentials on mobile devices such as Apple Pay, Samsung Pay and Google Pay.

² The interchange fee structure for mobile wallet services involving credit cards and international brand prepaid cards will be considered during the upcoming review of overall interchange fees, as committed under paragraph 3 of Appendix 1.

³ The lowest cost routing network is determined by the interchange fee imposed by the respective networks. It does not preclude the issuance of standalone domestic / international brand debit card

Appendix 1: Interchange fee ceilings

1. Upon the agreed effective date of these requirements, the amount of any interchange fee that an issuer may receive or charge or the amount of any interchange fee that an acquirer is required to pay shall not exceed the following or such other amount as may be calculated by the Bank in accordance with paragraph 4 of this Appendix:

Payment card transaction	Interchange fee ceiling
(i) Domestic brand debit card	(a) 0.10% of the value of the transaction; or (b) RM0.37 plus 0.001% of the value of the transaction, whichever is lower.
(ii) International brand debit card	(a) 0.27% of the value of the transaction; or (b) RM0.63 plus 0.001% of the value of the transaction, whichever is lower.
(iii) International brand prepaid card	(a) 0.39% of the value of the transaction; or (b) RM1.28 plus 0.001% of the value of the transaction, whichever is lower.
(iv) Credit card	(c) 0.60% of the value of the transaction.

2. In addition to the interchange fee ceiling under paragraph 1 of this Appendix, an operator of a payment card network may enable the issuer to receive or allow the issuer to charge an additional interchange fee of 0.10% of the value of the transaction for domestic and international brand debit card transactions initiated via mobile wallet services⁴.

⁴ This refers to digital services that enable secure payments via stored payment credentials on mobile devices such as Apple Pay, Samsung Pay and Google Pay

3. An operator of a payment card network may set an interchange fee for transactions processed within its network up to the ceilings set above in paragraph 1 and 2 of this Appendix, based on its own commercial decision.

4. The overall interchange fee ceilings set out above shall be subject to review every three-years commencing from 1 January 2023⁵, or at such other date as may be determined by the Bank in writing.

⁵Considering that this is a limited review exercise and the Bank's commitment to ensure that the interchange fee ceilings appropriately reflect the eligible cost, the timeline for the subsequent review cycle of the overall interchange fee will start from the timeline committed under the PCF PD.

Appendix 2: Merchant preferred routing

1. For domestic payment card transactions made using a co-badged debit card, merchants shall have the absolute discretion to decide the payment card network that a transaction is to be routed or processed.
2. In line with this requirement, issuers and acquirers shall ensure enablement of the lowest cost routing network for co-badged debit cards provisioned via mobile wallets services, for both card-present and card-not-present acceptance methods where applicable.

Appendix 3: Feedback statement

Feedback Statement on Consultation Letter on Proposed Requirements under the Payment Cards Framework

Summary of Key Feedback Received and Bank Negara Malaysia Responses

In February 2025, Bank Negara Malaysia (the Bank) has issued a consultation letter (CL) on the proposed requirements under the Payment Cards Framework (PCF) for public consultation. The Bank wishes to record its appreciation to all the respondents for providing valuable insights and feedback that have in turn assisted the Bank in finalising the requirements in the specification letter.

The letter on the adjustment to the debit card interchange fee ceiling for mobile wallet service transactions issued today has incorporated where appropriate feedback and proposals received during the consultation period.

Key comments received and the Bank's responses are set out in this document.

1. Revision of interchange fee (IF) ceiling for debit card transactions on mobile wallet services (MWS)

Feedback received:

Some respondents proposed a lower additional IF for debit card transactions on MWS¹ to minimise the potential impact on merchants.

The Bank's response:

In determining the IF ceiling for MWS transactions, the Bank has upheld the cost methodology adopted under the PCF that is fair and objective for both merchants and industry players. The additional IF represents the anticipated innovation cost of MWS that is assessed as reasonable to ensure affordability. Notwithstanding, operators of payment network are welcomed and encouraged to set a lower IF for transaction processed via its network.

The Bank wishes to reiterate that the newly introduced additional IF is only applicable to MWS transactions and shall have no impact on other types of debit card transactions e.g. transaction using physical cards. Merchant acquirers are also reminded to clearly disclose the cost of each card payment including debit card transactions via MWS to enable merchants to make informed decisions on the type of cards they wish to accept and their preferred routing network to manage cost.

2. Requirement for issuers and acquirers to enable the lowest cost routing network for co-badged debit cards

Feedback received:

Few respondents sought clarification on whether merchants are obligated to choose the least cost network under the proposed requirement.

The Bank's response:

The Bank wishes to emphasize that the finalised requirement does not mandate merchants to choose the lowest cost routing network (Least Cost Routing, LCR). Instead, it aims to provide merchants with the options to choose their preferred network for processing co-badged debit card transactions (Merchant Choice Routing, MCR). To achieve this, issuers and merchant acquirers must enable both networks for co-badged debit cards provisioned on mobile wallet services, for both card-present and card-not-present acceptance methods. For clarity, the Bank only requires issuers who have enabled their co-badged debit card on MWS to ensure that all debit networks are available to facilitate MCR. The requirement does not mandate issuers to enable their co-badged debit card on MWS.

¹ Mobile Wallet Services (MWS), also known as mobile wallets, refer to digital wallets that store a cardholder's payment cards (e.g., debit cards, credit cards, or prepaid cards) and allow payments to be made directly using a smartphone, smartwatch, or other devices. Examples include Apple Pay, Samsung Pay, Google Pay.

3. Implementation timeline on proposed requirements

Feedback received:

Respondents highlighted the need for a longer timeline to enable both networks on MWS due to internal system enhancements, integration efforts, and the operational processes required to implement the requirements effectively.

The Bank's response:

Considering the development effort required to enable all debit networks on MWS, the Bank has agreed for the requirements to take effect on 1 July 2026, as outlined in paragraph 6 of the letter. Issuers who have enabled one of their co-badged debit card networks on MWS should engage with the relevant network operator with the aim to comply before the effective date.

Issuers who are just planning to enable their co-badged debit cards on MWS must ensure the availability of both debit networks at launch and this must be considered as part of the development process.

4. Broader IF adjustment on all payment card types and other tokenised transactions

Feedback received:

Some respondents suggested a more comprehensive IF review covering all types of cards (credit and prepaid) to minimise development costs.

The Bank's response:

The limited IF review focusing on debit cards on MWS is critical to preserve merchants' rights on their preferred routing network whilst promoting innovative solutions in the debit card space.

The Bank remains committed to a broader review of the IF ceilings as indicated in the PCF and will initiate the necessary process by 1H2026.