

## **Financial institutions to use FPX by mid-2005**

By HAMISAH HAMID

THE newly-launched national Internet payment gateway, Financial Process Exchange (FPX), has so far processed close to RM1 million transactions.

Malaysian Electronic Payment System (1997) Sdn Bhd (MEPS) managing director Datuk Mohd Hata Robani said since the FPX's pilot project was initiated last month, six banks have participated in the payment gateway and 20 merchants have been linked to it.

"By June 2005, all financial institutions in the country are expected to go on board the FPX," he told reporters after the launch of the FPX by Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz in Kuala Lumpur yesterday.

FPX is a project initiated by Bank Negara in collaboration with MEPS. The RM10 million project facilitates online payments for e-commerce transactions, including business-to-business and business-to-consumer transactions, on a secure and multi-platform payment infrastructure.

MEPS, as the national infrastructure service provider, is responsible for performing all switching, clearing and settlement for FPX transactions.

Currently, the participating banks are Bumiputra Commerce Bank Bhd, Public Bank Bhd, Bank Islam Malaysia Bhd, Deutsche Bank Malaysia Bhd, Hong Leong Bank Bhd and Malayan Banking Bhd. Among the merchants, early adopters of the system include Malaysia Airlines Cargo Sdn Bhd, Universiti Teknologi Mara, Star Publications (Malaysia) Bhd, Financial Link, Universiti Putra Malaysia, DBIX and Jaring.

Mohd Hatta said MEPS expects 16,000 transactions per day to be done over FPX in the next three to five years. When this target volume is reached, the company is expected to start seeing profit.

He said the transaction fee is very competitive and can be as low as 50 sen per transaction.

"The final charge will depend on respective bank," he added.

However, users will need to have Internet banking accounts as the payment will be debited from customers' savings or current account.

MEPS is also considering linking FPX to similar payment hubs in other Association of South-East Asian Countries member countries such as Indonesia, Thailand and Singapore.

"It could be in the next two or three years from now, depending on how fast such services is being developed in those countries," said MEPS general manager Mohd Suhail Amar Suresh.

Malaysia is the first country in the region to establish the real-time online payment infrastructure.

Earlier, Zeti said FPX will enhance the efficiency of the financial system as it reduces transaction costs and contribute to the overall functioning of the economy.

"Bank Negara strongly encourages all banking institutions and users to participate in the FPX to exploit its full potential, a process that would contribute towards the competitive positioning of the Malaysian economy," she said in her speech.

Zeti said currently, more than 90 per cent of the non-cash retail payments in Malaysia are made by cheques.

However, cheques saw a slower annual growth of 2 per cent in the past two years while the use of inter-bank Giro rose at the rate of 197 per cent.

She said in most developed countries, the use of cheques has declined to negligible levels compared with electronic payments.

“These trends underpin the need for the banking institutions to further intensify efforts to encourage consumers and businesses to use the electronic payment systems,” she said.