

**20TH Global Remittances Working Group Meeting
Washington D.C. , 20 April 2017**

**Reduction in Remittance Cost
for Money Services Business**
A Malaysian Experience

Nik Mohamed Din Nik Musa
CENTRAL BANK OF MALAYSIA



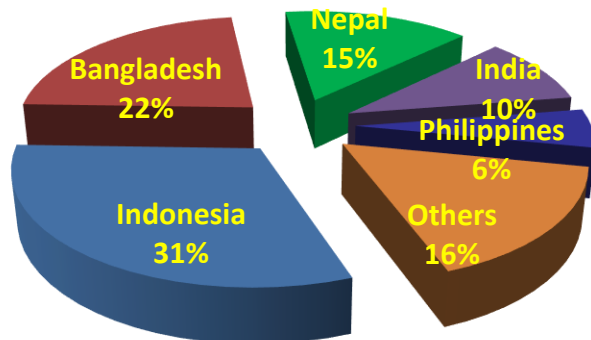
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



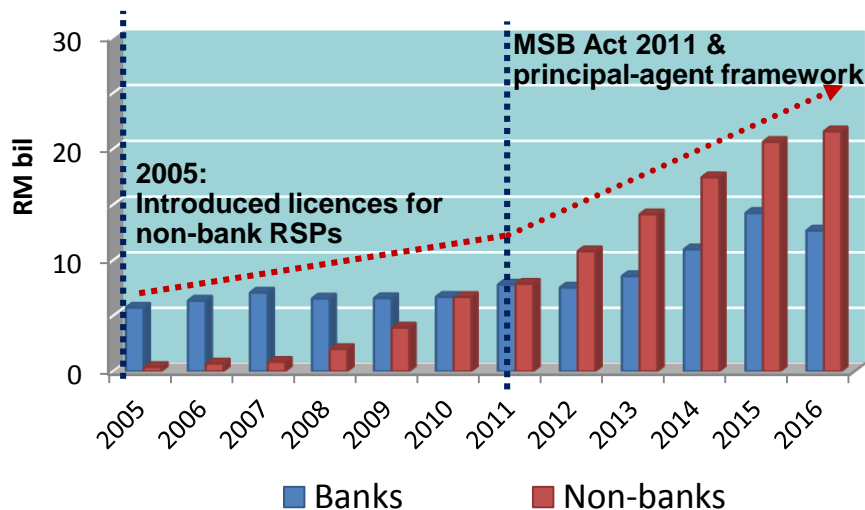
Greenback 2.0
JOHOR BAHRU | REMITTANCES CHAMPION CITY

Regulatory reforms in 2011 saw remittance growth spurred in Malaysia...

2016 Outward Remittance Corridors



Outward Remittance by Banks and Non-banks



Source: Bank Negara Malaysia (Jan 2017)

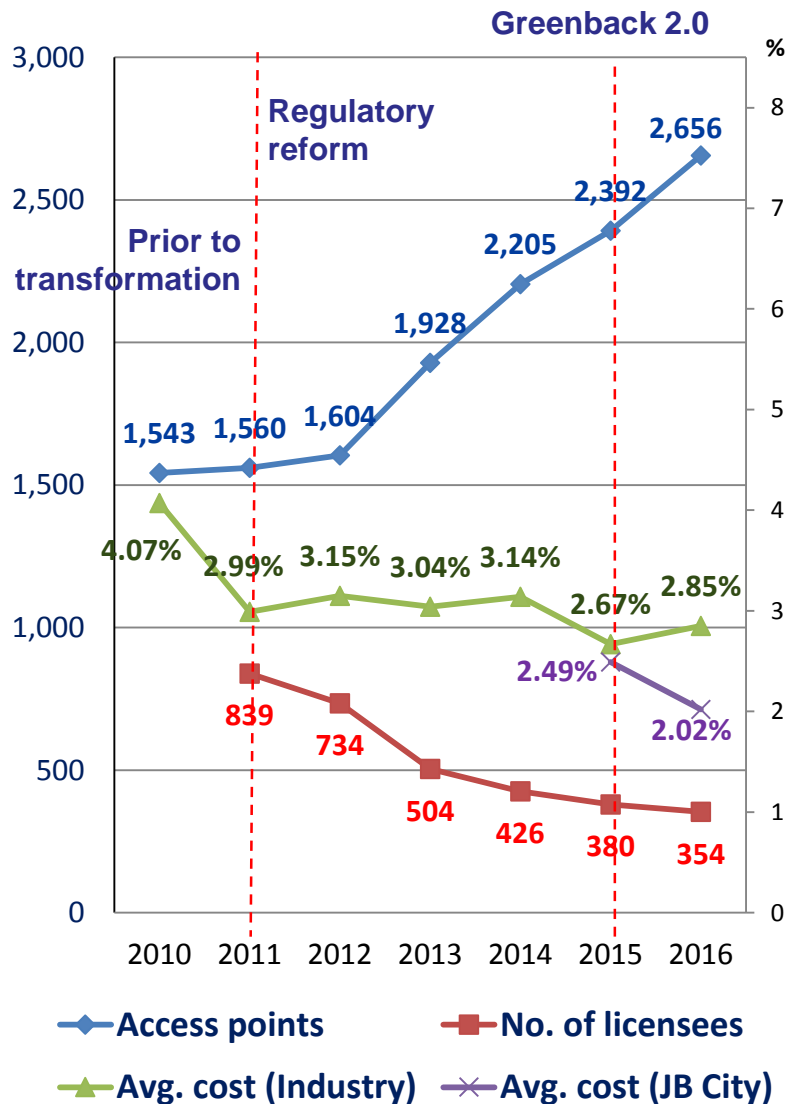
South East Asia most diverse remittance market

- Malaysia with largest outward remittance:
 - 2016: over 2 million migrants
 - total: US\$9 billion 37% by banks
63% by non-banks
 - 2,700 access points for remittance

Why regulate remittance industry?

- Financial inclusion, curb illegal operation
- 2005: new remittance licences
- 2011: higher trajectory due to new Money Services Business Act
 - proportionality in regulation
 - rationalization of licences
 - principal-agent increased accessibility
- 2012: introduced nationwide Association
 - bridge between regulator and industry

Road to remittance cost reduction, aimed at low cost environment below 3%



Motivation for low remittance cost:

- savings translates to more wealth for the receiving country (1% ↓ = USD6m)

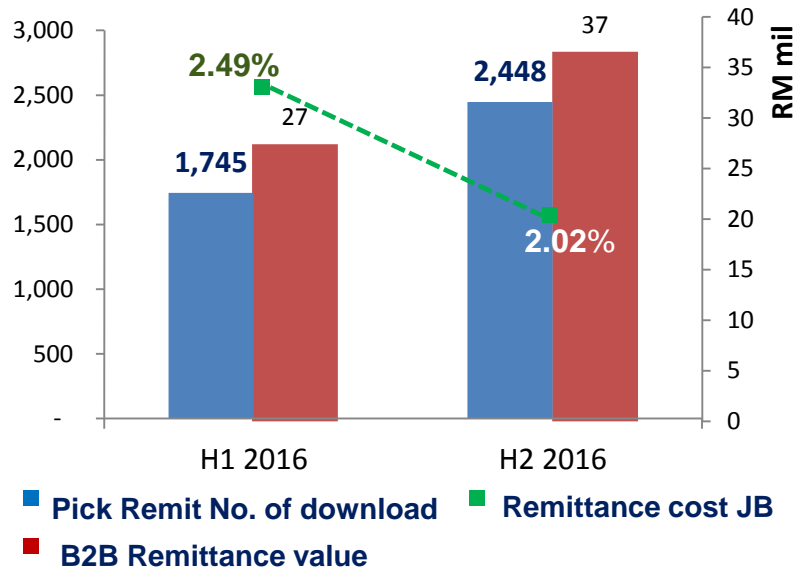
Regulatory reforms led to increased access points by 72%, ↓ cost by 1.2%

- competition with higher access points
 - 2016: 2,700 (2011: 1,560)
- greater reach to underserved areas
- bigger players, hence scale economies
 - minimum capital increased
 - consolidation (2011: 839; 2016: 354)

2015: Greenback (JB City) ↓ cost further by 20% lower than national average

- greater transparency and competitiveness
 - World Bank's Pick Remit app
- awareness on use of authorised channels

Key success factor: collaboration with World Bank



Milestone achieved in improving transparency and efficiency in JB City

- reduced remittance cost (2015: 2.49%, 2016: 2.02%), lower than industry rate
- highest downloads of Pick Remit app worldwide in 2016 (4,193 downloads)
- 55% increase in B2B remittance
- >11,000 migrants & 1,300 SMEs engaged
- >170,000 new registered customers

CHALLENGE

- **Demography barrier:** Various nationalities of migrants with different level of education, languages & backgrounds
- **Participation issue:** Ways to attract migrants and SMEs to participate in the program
- **Trust issue:** Perception of migrant workers towards Banks and remittance companies



- **Effective collaboration with strategic partner:** World Bank, Industry players, Embassies, Council
- **Customised approach:** Tailored education & awareness program based on target group, .e.g. trained native speakers appointed as “ambassadors” to educate migrant workers
- **High accessibility to Pick Remit:** Majority of migrant workers has a smart phone with internet access

Way forward: can we further reduce cost to 1% and maintain sustainability?



Leverage on FINTECH such as Peer-To-Peer (P2P)

- Leverages on mobile app to provide ubiquitous access
- Illustration of P2P model for cross-border remittance

74% of migrant workers have access to smartphone
90% use smartphone for internet



Expansion of e-remittance services



- Digital solutions to enable cashless services, incl. e-KYC
- Payment of salaries of migrants through e-wallet or banks
- Encourage e-remittance offerings by industry players



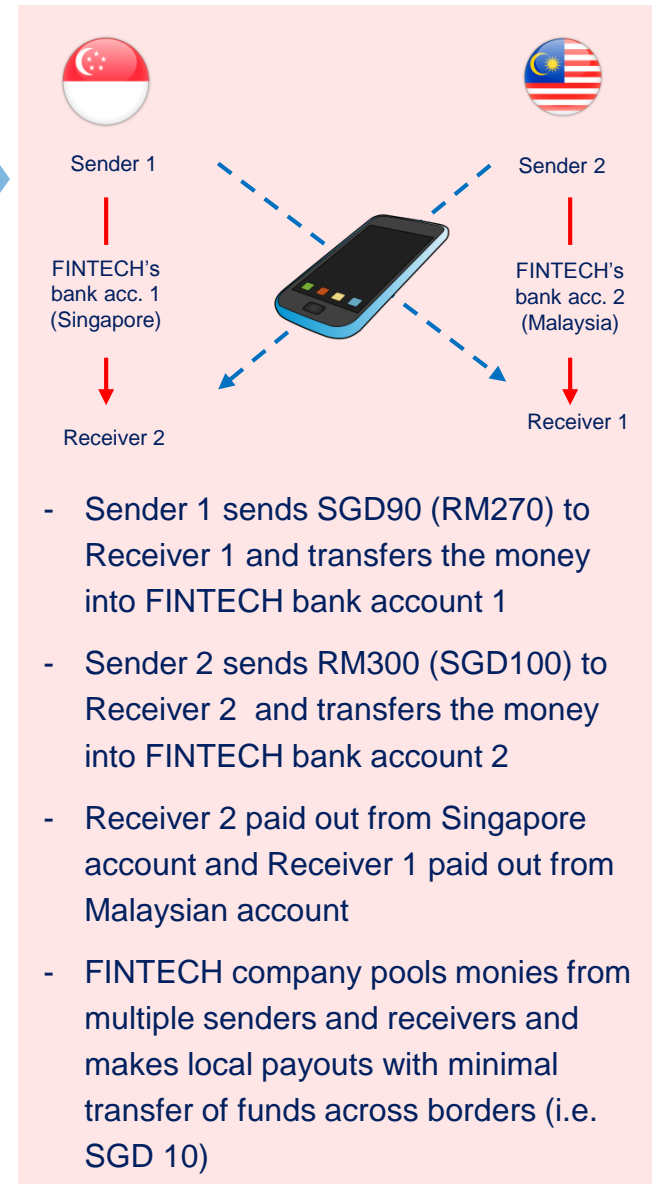
Promotion for B2B transaction via non-bank RSPs

- Nationwide awareness programmes in other cities (SMEs)
- Set targets for non-bank RSPs to achieve higher volume



Intensify surveillance & enforcement on illegal operators

- Facilitate migration of users of informal to formal channels
- Review legislation for swifter & efficient enforcement



THANK YOU

