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RCEP: Facilitating e-Payments

E-Commerce only works for companies if, at the end of the day, firms can be paid for their goods and services. But currently in Asia, companies often struggle to use cross-border payments in a cost-effective, efficient means.

Without a working payments system, no matter how good the e-Commerce framework is, it will not create the same level of new economic growth or job opportunities for firms in Asia as one with a functioning, effective means of handling cross-border e-payments.

RCEP parties should create a safe but efficient transaction environment that allows everyone to share in the economic growth of the region. In particular, parties should avoid burdensome regulatory barriers that will prohibit consumers and SMEs from playing a part in the digital economy.

RCEP parties should recognize the value and legitimacy of different online payment methods, regardless of the country of the consumer, merchant or intermediary.

WHY E-PAYMENTS MATTER

For goods and services to be traded online, an online payment is required. The aim is to minimize transaction costs while still protecting consumers and merchants. RCEP should strive to increase transparency in licensing regimes and facilitate payments mechanisms.

In many parts of the region, there are more people with mobile phones than with active bank accounts. Without online payments, millions of people will face financial exclusion through not being able to access goods, services, or consumers for their products.

RCEP is a diverse economic area, with different online payment preferences. Many people find their credit cards are not accepted in foreign countries, and electronic bank transfers can be prohibitively expensive and cumbersome.

Millions in the region are now using services like AliPay, Apple Pay and Paypal. Parties should not harm local consumers or merchants by limiting their payment options. Such solutions are built on top of existing, regulated infrastructure.

Major credit card companies currently stipulate different digital security compliance levels for companies depending on the volume or value of their transactions. This risk-based approach has proven to be effective in limiting fraud and theft, while still allowing small and medium sized enterprises (SMEs) to take part in the digital economy.

Helping SMEs with compliance will increase innovation, investment and growth, and provide useful economic data to governments.

Payments services enable merchants and consumers across the world to transact online. Merchants require efficient and effective payment services that are easy to



implement, maintain, and use while consumers require trusted and safe payment mechanisms. An interoperable, open, secure, and competitive payments ecosystem will contribute to RCEP goals of greater economic integration, financial inclusion, and enabling e-Commerce.

Many issuers in the region block e-Commerce transactions for debit cards, hindering cross-border e-Commerce growth. A minimum security standard for online transactions including account registration and appropriately tiered Know Your Customer (KYC) regulations can mitigate security and anti-money laundering concerns and enable issuers to put forward financial instruments that will facilitate cross-border e-Commerce trade.

Because online payments services are often linked to bank accounts, those outside the formal banking system often do not benefit from cross-border e-Commerce. While solutions such as branchless banking are being implemented across parts of the region to increase financial inclusion, policymakers should help ensure that these solutions are interoperable. At the same time, other forms of online payments services such as interoperable e-money or pre-paid financial products should be considered and encouraged for those who still remain outside the formal banking system.

RECOMMENDATIONS

- Encourage financial inclusion initiatives such as branchless banking, and ensure they are interoperable and do not lock users into a single method for using financial services.
- Foster cashless payments by enabling electronic and online payment systems.
- Encourage mobile Internet adoption to facilitate access to more complex financial services.

- Collaborate with the private sector to construct a next-generation regulatory model for financial services.
- Adopt a market-driven approach to encouraging multiple payment gateways, giving merchants and consumers more choices and avoiding concentration of risks.
- Promote greater adoption of interoperable electronic payment instruments, such as prepaid cards with appropriately tiered and proportionate KYC requirements.
- Set minimum security standards such as two-factor authentication or use of biometric features.

PROPOSED RCEP LANGUAGE

Each Party shall accord to payment service suppliers of another Party treatment no less favourable than it accords, in like circumstances, to its own payment service suppliers, or to payment service suppliers of any other Party.

Each Party shall apply equal enforcement of any rules pertaining to corporate governance, data privacy, data security or consumer protection to payment service suppliers of another Party, no more thoroughly than that it applies to its own payment service suppliers.

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