



## Asia-Pacific Financial Forum

### ELECTRONIC PAYMENTS (E-PAYMENTS)

Linkages and Structural Issues Work Stream  
Caucus Meeting

Hong Kong, China  
27<sup>th</sup> January 2015

[www.abaonline.org](http://www.abaonline.org)

### ***E-payments – driving global growth***

- The growing use of e-payments in 2008-2012 added USD\$983 billion to global growth = 1.9 million new jobs.
- Huge growth market – double digit annual growth in e-commerce in the Asia-Pacific regions emerging markets
  - » 50% growth in Indonesia (estimated 2015)
- A lack of appropriate supportive infrastructure obstruct growth opportunities
- Falling price of smartphone devices
  - » Sri Lanka – IFC study showed smartphones market share growing fast, market users opt for latest technology.
  - » Studies in Indonesia and Mongolia found there is significant opportunity for use of mobile devices to extend reach of services to the poor and under-banked.

## ***E-payment security***

- Significant Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) and Know-Your-Customer (KYC) regulation issues
- KYC requirements has to be careful not to disenfranchise segments of the population who lack formal identification documents
- As obscure payment channels grow new security concerns will also increase
  - » Crypto-currencies ('alternative currencies') such as Bitcoin
- Benefits of financial inclusion far-outweigh the dangers of market failure or criminal activity

2

## ***Compliancy issues affecting e-commerce businesses***

- Taxation – hard to justify on online businesses with activities spanning across borders
  - » (Since 1<sup>st</sup> January 2015) 'Amazon tax'
- Reality of e-commerce not seamless - online payments commonly require an overseas account
- Personal data privacy laws
  - » Cross-border data transfer required to complete a transaction may face restrictions
- Transportation of goods – customs, excise documentation and processing
- Harmonization of procedures and e-payment policy alignment across APEC still has a long way to go. EU good model for APEC to examine.

3

## ***E-payment regulatory approach***

The key to driving development is flexibility in the regulatory process

An effective system needs:

- Secure e-payment infrastructure – prudential and criminal
- Affordable telecommunication infrastructure
- Policy/regulations that encourage innovation
- Policies that protect personal data
- Comparable electronic customs and excise infrastructure aligned documentation and procedures
- Taxation policies

4

## ***Proposed Approaches***

Adopt a holistic/ multi-faceted approach that integrates policy areas into a converged stream of analysis, research and policy recommendations by:

- Reviewing different markets and approaches
- Research and analysis of regional economies with a view to developing approach/es that APEC ministers might consider

Recognising:

- Equal need for policy-driven approach to allow innovation by banks, NBFIs, mobile phone network operators or 3rd party payment service providers
- E-money micro-savings accounts on which small interest could be paid (not permitted in any national jurisdiction to date)
- Bridging various issues - services and technology, monetary and financial issues, telecommunication and internet access usage

*Subject to funding the Linkages and Structural Issues Work Stream propose to undertake research, analysis and develop appropriate policy recommendations*

5