



**DIGITAL  
PAYMENT  
ROADMAP**  
FOR BRUNEI DARUSSALAM  
2019-2025

# Acknowledgements

This document presents a Roadmap for the development of the digital payment ecosystem in Brunei Darussalam. The plan draws on the information that Autoriti Monetari Brunei Darussalam (AMBD) has gathered from consumers, governments, financial institutions, payment service providers and other stakeholders during preparation of the retail payment infrastructure strategy, extensive consultation across the region and our analysis of market trends.

AMBD would like to express our sincere gratitude to the organisations and individuals with whom we have engaged for their valuable ideas, insights and considerations on Brunei Darussalam's digital payment journey.

*“A younger generation rich in new ideas and not averse to challenges are the ones who will take the country forward. The widespread use of information technology plays a vital role in development and is leading the shift towards a digital economy. This leaves plenty of room for opportunity, but also presents a challenge.”*

- Excerpt from the Titah of His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam, on the eve of the 34th National Day of Brunei Darussalam dated Thursday, 6 Jamadilakhir 1439 corresponding to 22 February 2018.



# Executive Summary

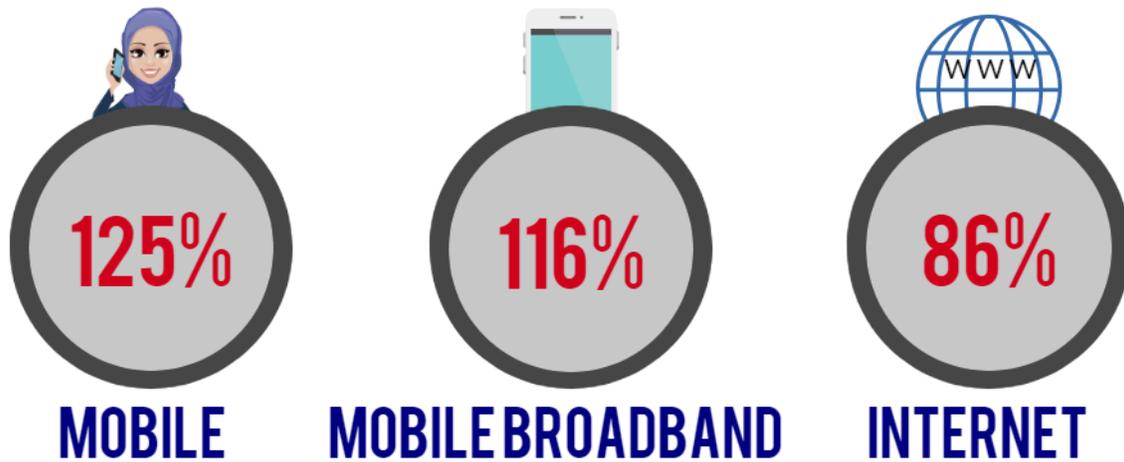
The Brunei Darussalam Financial Sector Blueprint 2016-2025 (FSBP) serves as a guide to the development of Brunei Darussalam's financial services industry. The FSBP sets out the strategic framework within which Autoriti Monetari Brunei Darussalam (AMBD) and other stakeholders are working to promote a dynamic and diversified economy, in line with the national vision defined in Wawasan Brunei 2035. This Roadmap elaborates the FSBP digital payment plans, identifying the initiatives that AMBD and the industry will carry out.

AMBD's primary objective over this time horizon is to embrace digital transformation to the payments market in Brunei Darussalam, leading to the creation of a digital payment ecosystem involving both users and Payment Service Providers (PSPs), which may be banks or non-banks. This means migrating traditional payment behaviour and processes to innovative electronic channels. There will be collaboration among industry players on shared infrastructure, and increased competition on innovative digital products, empowering customers with a wider choice of payment methods and a richer customer experience. The stakeholders include the government, financial institutions, PSPs, telecommunication companies, businesses, retailers and customers.

The Roadmap to digital transformation sets out key strategic areas for developing the digital payment ecosystem. It outlines AMBD's responsibilities to enhance the regulatory framework and engage with the industry to develop an open market infrastructure and agree on common standards to provide a flexible and efficient business environment. The Roadmap also emphasises the importance of promoting digital payments, enhancing public understanding of the benefits and building trust in the services.

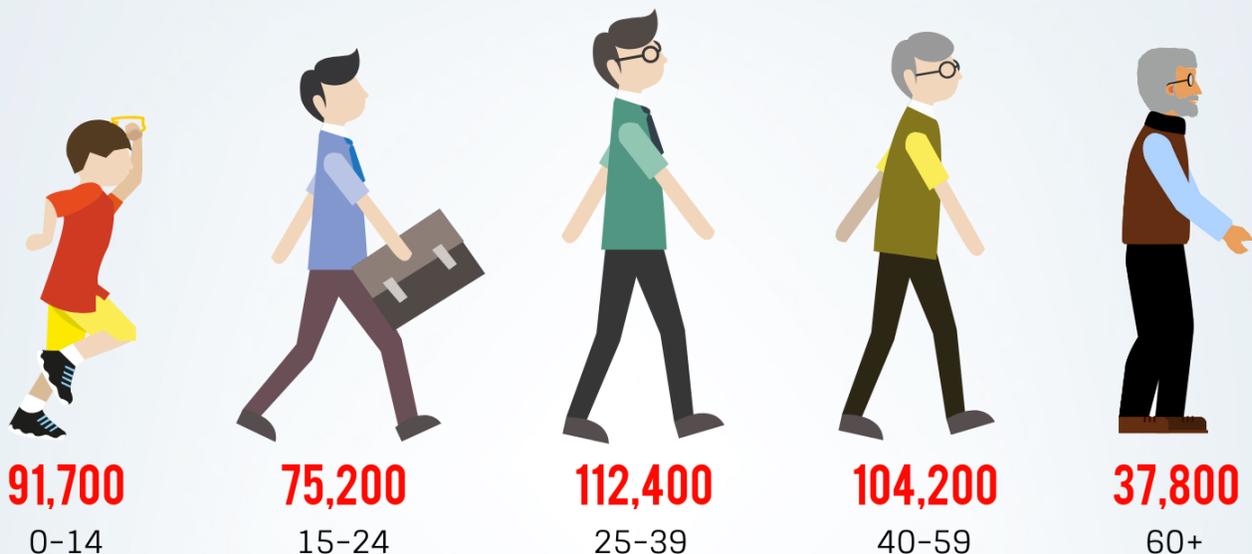
# Brunei Darussalam Fact Sheet 2017

Brunei Darussalam is one of the most tech savvy nations in the world with a very high penetration of internet, smart phone, mobile broadband and social media usage. Banking penetration is also high, with over 80% of the adult population having bank accounts.



Source: Authority for Info-communications Technology Industry of Brunei Darussalam

## Population By Age Group 2017



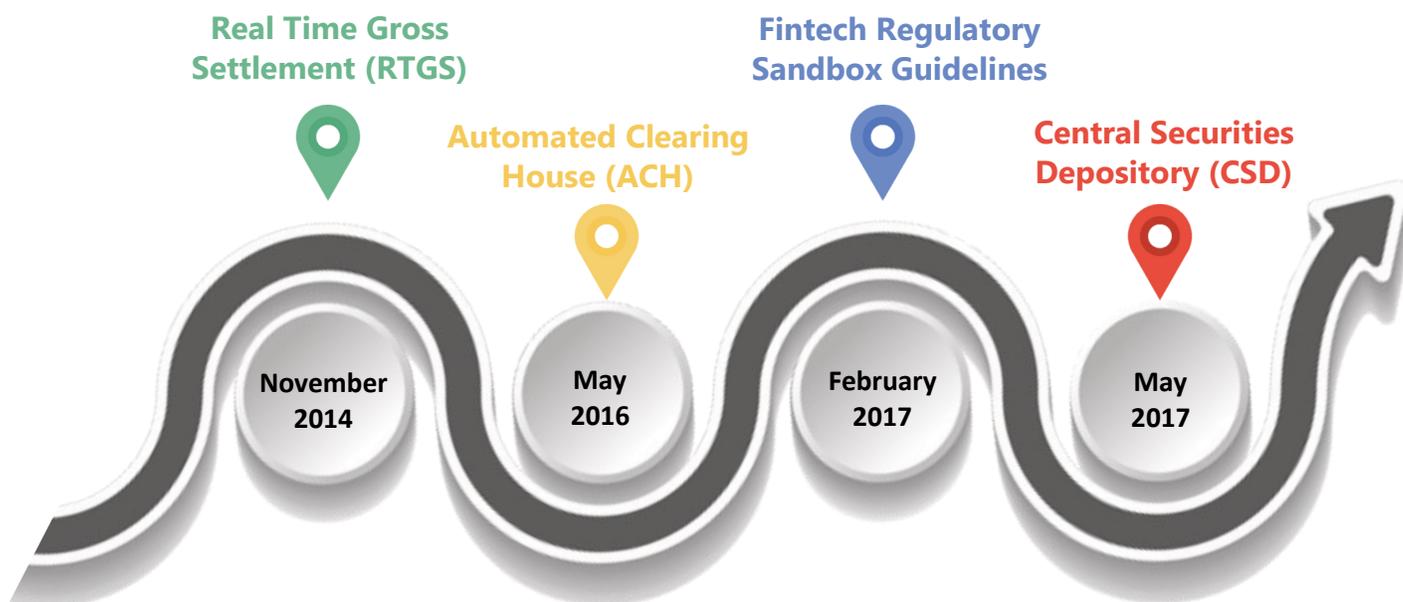
Source: Department of Economic Planning and Development

# Introduction

Over the past five years, AMBD has championed the development of modern financial market infrastructures in Brunei Darussalam. The National Payment and Settlement System (PSS) project was established to provide a digital platform for more efficient and secure interbank payment systems by adopting latest market standards, deploying international best practices and implementing state-of-the-art systems.

In parallel, the development of financial technology (FinTech) has provided many opportunities for innovation, and challenges the traditional approaches right across the financial services landscape. AMBD has adopted the regulatory sandbox approach that allows financial institutions and FinTech start-ups to test their innovative financial products and services in a safe environment before rolling out to the public.

In this digital age, customers are demanding real-time interaction as the use of technology becomes an indispensable part of everyday life. With its small, technically-able population, high-performance communications and modern financial infrastructure, Brunei Darussalam has a unique opportunity to take a giant step towards a digital economy. The nation is well positioned to exploit the changes and innovations emerging in the digital payments arena globally, and thus paving the way for further stages of development.



# Digital Ready Nation

Findings from AMBD's 2018 survey of bank payment services show that usage of on-line and mobile payments is growing rapidly\*.

## 2016 to 2017



**135%**  
Mobile Application Banking



**135%**  
Internet Banking



**43%**  
Card Usage

**B\$2.16  
Billion\***

Card Spending

**B\$1.26  
Billion**

Cash In Circulation

**B\$58.5  
Billion**

Interbank Transfer

Source: AMBD

\*Total Spending from 2015-2017

# Digital Payment Nation



In support of the national development strategy set out in Wawasan Brunei 2035, AMBD visualizes Brunei Darussalam becoming a Digital Payment Nation; at par with some of our regional neighbours and the Nordic Countries. As we move into a digital economy, the payment industry will undergo a dramatic shift by changing the way customers pay for goods and services, the way businesses and merchants manage their business operations and how government collects and makes payments.

Digital transformation in Brunei Darussalam depends on a sound and sustainable payment ecosystem. The payment platforms must promote interoperability and encompass users that are both residents of and visitors to Brunei Darussalam regardless of wealth and geography. Moving forward, within its mandate to establish and oversee an efficient payment system, AMBD will act as a catalyst for the formation of this digital payment ecosystem.

# Transforming the Payments Environment

1



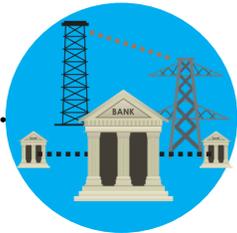
**Digitization of payments** to drive reduction in usage of cash and cheque, which are inefficient and more costly to manage.

2



A **regulatory framework** that encourages market innovation while preserving trust and financial stability in the financial sector.

3



To promote **interoperability** and **competition** by establishing an open and efficient market infrastructure regardless of which payment services customers use.

4



To drive **greater acceptance** and **increase usage** of digital payment by offering innovative and affordable digital solutions to consumers and retail businesses.

5



**Cross-border integration** with ASEAN and other regional payment systems to offer new opportunity for cross-border transactions that benefit consumers and businesses.

# Benefits of Digital Payments

The pace of change in the financial sector continues to increase with digital technologies. Digital innovations and new types of service provider, for example in mobile payments, have allowed financial inclusion to expand and spurred economic development in many emerging economies. As these changes take place, financial stability requires the overall payment ecosystem to be safe, efficient and resilient. Secure and cost-effective digital payments can benefit consumers (individuals, businesses and government), service providers (banks and non-banks) and the country as a whole, with cost savings from handling less cash and cheques.

The growth in use of digital payments and mobile channels shows that Bruneian customers see the benefits of digital services being available anywhere and anytime. Now the industry needs to build on that enthusiasm.

***“Secure and cost-effective digital payments can deliver benefits to the country as a whole.”***

**Businesses** seek reliability, certainty and better security plus added value services.

**The Country** achieves national vision Wawasan Brunei 2035 by enabling digital transformation.

**Individual Consumers** demand fast, convenient and affordable customer experience.



**Government** payments and collections become transparent and cash management improves.

**Payment Service Providers** enjoy reduced cash handling costs and new revenues.

# Digital Payment Ecosystem

***Enabling a market-driven digital payment ecosystem that adopts cutting edge technology, redefines customer engagement and encourages both interoperability and market competition***



The challenges in the current payment landscape are well recognized. These include disconnected silo solutions and limited innovation, which have resulted in an inconsistent user experience and continued reliance on paper-based payment instruments. Most importantly, we will continue to face digital-age challenges such as the rise of new technologies, cyber-security risks, and issues relating to consumer and data protection.

Moving forward, AMBD envisages a market driven digital payment ecosystem in Brunei Darussalam that encourages the industry to collaborate on common goals and promote open and shared market infrastructure. Using the common platform, market participants will then compete on products and services that deliver valuable benefits to customers and significant savings to the banks.

To achieve this ambitious transition, the industry as a whole needs to undergo a transformation, based on the strategies set out in the following pages.

# Digital Transformation Strategies

## BALANCING REGULATION AND INNOVATION

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By encouraging infrastructure sharing and promoting fair competition through regulation, oversight and standards as well as collaboration between all stakeholders — making Brunei Darussalam an ideal location for FinTech experimentation.

### 01 REGULATIONS



AMBD will strive for balanced regulations that strengthen consumer protection while fostering competition and a level playing field for all market players. Our overall objective is to maintain stability in the financial sector, while encouraging innovation and digitization.

### 02 COLLABORATION



Structured governance in the payment ecosystem with the formation of a Digital Payment Committee that drives digital payment adoption, promotes collaboration among market players and provides a platform to share information on emerging risks from new technologies, such as artificial intelligence, big data, cloud computing, digital currencies and distributed ledger technology.

### 03 IDEAL TESTBED



Brunei Darussalam, having a small population with clear boundaries, offers an ideal testbed for FinTech solutions supported by the AMBD FinTech Regulatory Sandbox. Being a Muslim majority country, Brunei Darussalam provides an ideal testing environment for Islamic FinTech solutions that could be the gateway for global expansion.

## ADOPTION OF OPEN DIGITAL PAYMENT

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Brunei Darussalam is striving towards a “less cash” society by embracing innovative payment technology, while maintaining choice and encouraging an accessible open market, with shared infrastructure and competitive products.

### 01 INNOVATION



Innovative digital products and services must influence the everyday lives of the people in a positive and rewarding way. A secure and real-time digital payment solution can develop a loyal customer base and build digital trust leading to the increased usage of digital payment for domestic and cross-border transactions.

### 02 ACCESSIBILITY



Nationwide adoption of digital payments is achievable by eliminating barriers to adoption and reducing cost of accepting digital payment by retailers. A secure and low cost point-of-sale technology must become available not just for established retailers but also for Micro, Small, and Medium Enterprises. (MSMEs). This is now possible with the adoption of QR code, biometric solutions and other contactless payments as observed in neighbouring markets.

### 03 PAYMENT HUB



Infrastructure sharing is cost effective for a small market like Brunei Darussalam and avoids market fragmentation. Brunei Darussalam needs an open Payment Hub to allow integration between multiple payment systems and channels. The Hub will enable consumers to make instant payments to anyone in the country and provide the capacity to offer cross-border transactions in the future.

## PUBLIC AWARENESS AND EDUCATION

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To build digital trust and market confidence in digital payments by empowering consumers, equipping our society with digital skills and enhancing cyber security.

### 01 AWARENESS



The financial industry must come together to build digital trust and improve public understanding about the benefits of digital payment in the context of digital financial inclusion and digital financial literacy. Financial community must actively reach out to its customers to improve market confidence and encourage adoption of digital payments.

### 02 TRAINING



Payment Service Providers must provide adequate training to their staff, their customers and retailers on how to use the new payment solutions – creating a seamless experience in the value chain. On-going marketing should be followed by effective on-boarding programmes and incentives to drive participation and usage.

### 03 CYBER SECURITY



The financial industry must manage cyber risk effectively to maintain trust in digital payments including the needs to protect consumer data. This can be achieved by adopting international best practices, sharing information and collaboration with a range of stakeholders. The industry will take the lead in educating customers on cyber safety, which is the responsibility of everyone.

# The Road Ahead

AMBD sets a challenge to the banks in Brunei Darussalam, other PSPs and suppliers to realise the vision before 2025. As we migrate towards a Digital Payment Nation, we will see regulations evolving, new products and services emerging, increasing efficiency and more innovation. Older payment methods will fade in importance.

The first three elements will be:

- 1 The interoperability mechanism or “Payment Hub” to which all PSPs can connect in real-time, supporting an open, competitive market.
- 2 Common standards that enable front-end services, such as electronic wallets and instant account-to-account payments via the Payment Hub.
- 3 Improvement in public awareness and education about digital payment.

AMBD will take on the role of an enabler and calls on the industry, as the main commercial beneficiary, to take the lead.



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