



## AMBD Article

### **LEAP OF FAITH – NEXT GEN NATIONAL PAYMENT AND SETTLEMENT SYSTEMS AND BEYOND**

In the older days, payment and settlement processes were time consuming; transfer of funds can take days or even up to weeks for local transactions while cross-border transactions can take up to two or three times the duration due to the complexity of transactions dealt in different currencies and time zone. On top of this, payment and settlement processed used to cost a lot of money for both financial institutions and customers. The first printed 'checks' or 'cheques' can be traced back to England in 1762 and now, it is widely known that they are made of paper which has an adverse effect on our environment.

The cost of traditional payment processes were quite astronomical if we consider the entire picture. Organizations printed numerous cheques daily, incurring running costs, including stamp duties and administration fees for each cheque. Notwithstanding the process fee, there are other logistical cost. One example is the cost of transporting these cheques to a bank; this includes modes of transportation used and fuel cost. Organisations could pay up to 10 dollars per single cheque.

Since the 21<sup>st</sup> century, the payment landscape has evolved rapidly with the development of innovative technologies. Autoriti Monetari Brunei Darussalam (AMBD), at the forefront of all these developments, has introduced a National Payment Settlement System (NPSS) project, which provides three different systems for the benefit of the financial sector in Brunei Darussalam. The progressive objective of this project is to establish a modern payment and settlement infrastructure. The three systems are the Real Time Gross Settlement (RTGS) which was introduced on the 7 November 2014, the Automated Clearing House (ACH) on the 26 May 2016 and recently the Central Securities Depository (CSD) on the 12 May 2017.

#### RTGS: Swift, Simple and Secure

With the RTGS system in place, a bank can immediately send individual (gross basis) transfer of large value and urgent payment to another bank. The fund transfer takes place in a safe and secure network environment.

YM Haji Adi Marhain bin Haji Leman, Assistant Managing Director, Monetary Operations Department has said in a statement, "RTGS is the heart of the payment system that provide liquidity to the financial system".

All the interbank transfers are settled using their funds held at AMBD's RTGS system, which are final and irrevocable. This provides a guarantee of payments to financial institutions and customers, and enhances the stability of the financial system.

#### ACH: Central Clearing System

ACH system was established to process the exchange of electronic transactions for customer credit transfer and cheques. Payment instruments, in large volumes, are grouped into one or more batches and then submitted to the ACH system. These batches will be processed

together at specific intervals throughout the day and are settled in the RTGS system. With the ACH system in place, cheque clearing process has been reduced from 4 days to only 2 days. Customers and businesses can now make use of the new system to transfer money, process payrolls and pay bills in a more cost-efficient way.

#### *CSD: Fueling Development of Brunei Capital Market*

CSD system will allow AMBD to register and hold securities in dematerialized forms so that ownership can be easily transferred through a book entry rather than the transfer of physical certificates. The CSD system will leverage on the RTGS system for securities settlement between participants comprising of licensed financial institutions and government agencies. At the moment, it is only used for Government Sukuk Al-Ijarah programme and it has the potential to be expanded to other types of securities in the future.

#### **NPSS - Built for the public**

In this digital era, there are different sets of customers. One common desire is for the services to be quicker (almost instantaneous), reliable and more efficient. To meet these expectations, AMBD has been working closely with the banking sector to move away from paper processes such as physical cheques and certificates by promoting electronic transactions.

NPSS project is a platform for the banking industry to provide more innovative products and better services to their customer. With the banks fully utilizing this, customers can soon expect to perform more electronic payments that are more convenient, strikingly faster and drastically more secure.

In line with the Brunei Darussalam Financial Sector Blueprint (2016 – 2025), the NPSS project aims to bring positive change and development to the financial ecosystem. This includes supporting the development of capital market, having a robust and modern financial infrastructure that promotes e-payment economy, and foster international economic interconnection and Islamic finance. Brunei Darussalam is now closer to achieving the vision of ASEAN Economic Community (AEC) by adopting a common standard for payment integration in ASEAN. By being the first country in ASEAN to adopt the ISO20022 financial messaging standard, which is widely recognized as the standard of the future, Brunei Darussalam became a benchmark for the other ASEAN countries.