

Speech at the Press Conference:

Collaboration on Adopting Standardized QR Code for e-Payment

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Bank of Thailand

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Executives from American Express, JCB International, Mastercard, VISA and UnionPay International

President of Thai Bankers' Association

President of Government Financial Institutions Council

President of Association of International Banks

President of Thailand Electronic Payment Trade Association

President of the Telecommunications Association of Thailand under the Royal Patronage

Press members and distinguished guests,

I am very pleased that all payment service providers in Thailand are here to announce their collaboration on adopting QR Code standard for payments. This is considered an important milestone for which the standardized QR Code has been implemented in Thailand. **It is also the first time that five international payment card network providers and Thai financial service providers have mutually agreed to adopt the same QR Code standard in providing payment services in Thailand.**

It is recognized that electronic payment (e-Payment) is a crucial component in driving a digital economy, where technologies have been utilized to deliver better services for consumers and businesses, to increase financial inclusion, to raise efficiency and to reduce costs; thus, enhancing the country's competitiveness and supporting 'ease of doing business' principle.

During the past several years, Bank of Thailand (BOT) has been working on many important projects to encourage the development of e-Payment systems and innovations including:

- **Driving National e-Payment Master Plan:** The two main projects, PromptPay service and the expansion of card acceptance devices (EDCs) throughout the country, have been developed and promoted and have got continually good responses. For PromptPay

service, the registration has reached 32 million identification numbers with an accumulated fund transfers over 100 billion Baht.

- **Migrating ATM and debit cards to chip cards:** By the end of 2019, ATM and debit cards must be changed to chip cards in order to enhance security of card payment. This policy coincides with the growth of debit card transactions used by Thai people.

- **Elevating security protection in mobile payment transactions:** The BOT has cooperated with the Office of The National Broadcasting and Telecommunications Commission and The Telecommunications Association of Thailand under the Royal Patronage to strengthen mobile payment security. From the increasing trend of mobile payment volume which has heightened by 100% from the previous year, we recognize that mobile will be a major payment channel in the near future; therefore, mobile payment security is a vital issue.

- **Introducing Regulatory Sandbox principle:** This principle will facilitate financial innovations and open up opportunities for financial institutions, financial service providers, and technology firms to propose and test their innovation projects in a limited scope and area, in concurrent with regulatory assessment. The process allows new products to be developed with a careful risk management which will improve customer satisfaction and reduce regulatory burden. At the moment, many new technology projects have been tested in the regulatory sandbox including blockchain, biometric and QR Code payment.

- **Enacting Payment Systems Act for governing payment businesses:** The law is initiated by BOT and Ministry of Finance with the objective to effectively oversee the fast-changing payment systems in this advanced digital technology period. The BOT oversight function will be more flexible and modern, support innovations, in line with international standard as well as promote security and customer protection. The law has been recently approved by the National Legislative Assembly, and is in a process to enforce.

The above projects will support financial inclusion of all sectors and enhance Thailand's financial infrastructure to be more efficient and safe, reduce costs of stakeholders, and support further innovations.

Today, I would like to talk about **the development and implementation of the QR Code standard**, which is an important collaboration between Thai and foreign service providers that can assist the previous developments. The QR Code standard has four major principles and benefits.

The first one is being consistent with international standards. This is the first time that five global payment card network providers and Thai payment service providers have worked together to use standardized QR Code. The single standard will not only reduce system development costs of all participants but also allow for connectivity among various service providers, promoting the principles of open infrastructure and

interoperability. Specifically, each service provider does not need to develop their own QR Code format. In addition, merchants will be able to receive both domestic and international payment transactions, and they can accept funds from various sources including credit card, debit card, e-Wallet account and bank account.

The second is introducing cost-efficient payment channel. QR Code payment is perfectly fit to new lifestyle of customers who usually have mobile phone with them and willing to use mobile payment. These customers can conveniently use their mobile application to read merchants' QR Code to pay for their purchases.

Merchants, especially SMEs, will be able to accept e-Payment with lower costs. They can have their QR Code and present to customers for scanning right away. One QR Code can be used to accept customer's payments from various channels. Moreover, merchants can directly have payments deposited into their bank account or e-Wallet account that is linked with PromptPay service. With QR Code payment, cash flow management, bookkeeping, and reconciliation processes are much easier than those of cash transactions. This effectively eases operational burdens and reduces business costs.

The third is enhancing payment security. Scanning QR Code via mobile application will increase security of payment card usage because customers are not required to provide their card or card information to merchants and thus have less concerns over frauds. Furthermore, a QR Code payment system is safe and reliable since it was developed on existing payment infrastructures of banks and payment service providers such as PromptPay or credit and debit card infrastructures, which are highly secure, compliant with international standard and subject to regular examination.

The fourth is facilitating further innovations. This open infrastructure will lead to further development of various financial innovations in the future. E-Payment will not only facilitate payment flows but also provide solid foundation for SME's financial data collection. Data from retail electronic payments can be effectively used to support credit granting, which will provide more alternatives for SME financing. Financial Institutions in many countries have started to provide information based lending instead of traditional collateral based lending.

These four important criteria of QR Code will lead to an expansion of QR Code payment services to all merchants in our daily life such as department stores, fresh markets, coffee shops, and convenient stores. QR Code payment services are accessible for all type of merchants, including brick and mortar stores and e-Commerce. Moreover, it can easily be rolled out to various locations such as business districts, tourist destinations, or rural areas.

To promote standardized QR Code payment, BOT has allowed banks and payment service providers to propose their projects for consideration in the central bank's

Regulatory Sandbox. In the sandbox, QR Code payment services and supporting systems will be tested to ensure the accuracy of transactions, the stability and security of systems, and the provisioning of consumer protection since these are new services which require interoperability between banks and non-banks. At the moment, two banks are testing their services and six banks are applying to participate in the sandbox. The QR Code payment services will be gradually launched by service providers based on their readiness, it is expected to be available to the country wide within the 4th quarter of 2017.

In this occasion, I would like to express my appreciation to all related parties for their contribution to e-Payment developments in Thailand and for the collaboration to promote standardized QR Code payment which will make e-Payment to be more accessible, convenient and cheaper. The event today is a great milestone for the cooperation of all stakeholders to build sound financial environment and infrastructure that enhance country's competitiveness and sustainable development.

Thank you.