

Jessica Chew Cheng Lian: Generating new solutions for remittances in Malaysia

Remarks by Ms Jessica Chew Cheng Lian, Deputy Governor of the Central Bank of Malaysia, at the Launch of Project Greenback 2.0 Kota Kinabalu, Kota Kinabalu, 4 March 2018.

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It is my great pleasure to be here today for the launch of the Greenback 2.0 Project in Kota Kinabalu.

First of all, on behalf of Bank Negara Malaysia, I would like to thank Dewan Bandaraya Kota Kinabalu for agreeing to host this Project. We are sincerely honoured by the presence of YB Datuk Hajah Jainab at today's launch event. And of course, the World Bank has been a truly committed and equal partner in this project with Bank Negara Malaysia, and as we concluded our collaboration in Johor Bahru last year, we are excited to begin another chapter in this journey together with the World Bank.

Kota Kinabalu is Malaysia's second remittance champion city and only the third champion city for the Greenback Project in Asia. Through the project, our aim is to help more people living and working in Sabah remit moneys whether for business or personal purposes, safely and at lower costs. To achieve this, we want to provide people in Sabah with information, with access and with the confidence to use remittance services. And we want to encourage more competitive remittance services in Sabah that will better serve the community.

You may ask what is the significance of being a champion city?

The selection of a champion city recognises the enormous potential of cities across Malaysia, where three quarters of our population live, to be the engines of innovation. In our work at Bank Negara on a range of issues – whether it is to improve access to financing, promote financial inclusion or lift economic efficiency through migration to electronic payments – our collaboration with cities and their leaders has been the source of many solutions and breakthroughs in addressing the challenges that we face. This reflects the close and vibrant communities and networks within cities that can be drawn upon much more quickly and effectively to deliver solutions that will benefit the community.

As a champion city for remittances, Kota Kinabalu will similarly be able to show the way in generating new solutions for remittances. There are many valuable lessons that we can take from our recent experience with the Greenback project in Johor Bahru. But it will be important for us to receive *your* ideas and *your* input to ensure that we are addressing the specific needs and circumstances of people and businesses in Kota Kinabalu.

Kota Kinabalu has a sizeable population of foreign workers who contribute to the state of Sabah, while supporting and improving the livelihoods of their families back home. This, coupled with the higher remittance cost of 4.5% in Kota Kinabalu compared to other parts of Malaysia presents a unique opportunity to leverage on the Greenback project, to support the financial needs and goals of foreign workers here in Sabah; to increase the development impact of remittances to our neighbouring countries; and importantly, to make remittances generally more efficient for businesses and the population of Sabah itself.

Even though this is the second champion city in Malaysia, we are not only looking to replicate our experience in Johor Bahru. Indeed, we acknowledge the different challenges and opportunities presented in Sabah, which is why an important and distinct focus for Greenback Kota Kinabalu will be the wider use of technology to deliver remittance solutions in Sabah.

Here in Sabah, people still often need to travel a great distance to send money home. This is

costly, cumbersome and at times, risky – made even more challenging by Sabah’s geography and remoteness of some parts of the state. Technology offers new possibilities to overcome these difficulties, while significantly improving user convenience.

Although remittances through electronic channels is not new, the take-up rate of electronic remittances has been relatively slow. In 2017, the share of electronic remittances accounted for only 12% of total remittances. This in turn has limited the potential to make remittance services much more efficient and accessible to our communities, including here in Sabah.

We are therefore determined to double up our efforts to increase the use of electronic channels to send money.

In November last year, Bank Negara Malaysia amended existing regulations to allow money services companies to complete customer verifications electronically, without the need for customers to visit a money services business premise. This is an important change that removed an existing hurdle for companies to support an end-to-end electronic process for performing remittance transactions.

We expect this change to create significant momentum for further growth in electronic remittances, in particular among foreign workers. Today, foreign workers in several parts of Malaysia may still face difficulties getting to a MSB office to complete the customer due diligence process. Yet, nine in ten foreign workers have smartphones and use them to access the internet. With technology, we can tap into these alternative access channels to enable e-remittances.

Two other important developments are also coming together to encourage the use of electronic remittances. The first is the initiative by the Government to require employers of foreign workers to pay their salaries into bank accounts. This removes the need to deliver cash to remittance service providers. The second is the development of an interactive mobile application by the MSB industry that allows users to identify licensed MSB providers, compare services and communicate directly with MSB companies. The mobile app serves as a powerful tool to further promote transparency and competition in the money services business industry, by providing consumers with the information and facilities that will help them make smarter remittance choices.

Kota Kinabalu will be an important testbed for these initiatives, serving as a model for envisioning an end-to-end digital remittance landscape in Malaysia. Given Sabah’s aspirations to develop a digital ecosystem, we could not have picked a better city or time to launch our next Greenback journey.

As we look forward to the journey ahead, I cannot help but recall how far the MSB industry has come. In 2017, the MSB industry facilitated RM20 billion in worker remittances and a further RM400 million in business remittances. This represents a 43% and 300% increase respectively over values transacted in 2013 when significant reforms were introduced to strengthen standards and shore up trust and confidence in the industry.

Today, an industry represented by progressive and credible principal MSB companies and a wide network of agents has not only improved access to services, but also raised the quality of service. With better knowledge, tools and resources, the industry has also worked hard to strengthen safeguards against its use for criminal and other illicit activities. The industry is already leading the way in the financial sector by certifying all compliance officers to equip them to be more effective in implementing AML/CFT measures.

This is important because our collective efforts here today to improve overall welfare by providing more people and businesses with efficient access to remittance services will be severely set back if trust and confidence in the industry are eroded. When this happens, rules often have to be rewritten, the costs of compliance will increase, and the public is saddled with reduced

access and other burdens that result from the actions that have to be taken to protect the integrity of the system and manage risks to consumers.

We must avoid this path, which will come at a heavy cost to communities and countries that depend on remittances. We have seen this in recent times with de-risking measures taken by financial institutions, and we *still continue* to see their effects in parts of the world. We must not expose our system to the same effects.

In Kota Kinabalu, we also hope to build on Greenback activities to achieve greater financial inclusion of migrant workers and small businesses. For example, beyond remittances, suitable savings, payment and insurance products can help migrant workers make their earnings go further, facilitate access to goods and services, and provide protection for their families against financial hardship as a result of unforeseen events. For small businesses, electronic remittances can be harnessed to build transactional histories which can help improve their overall creditworthiness. This needs to be supported by a strong focus on financial education.

As you can see, we have great expectations for Project Greenback Kota Kinabalu. But we are also equally confident of meeting, if not *exceeding*, those expectations. This is in no small part due to the tremendous cooperation that has already been extended to the project by the city of Kota Kinabalu, including its police force. I also know for a fact that the MSB industry here in Kota Kinabalu has thrown its full support behind the project, working closely and tirelessly with the Malaysian Association of Money Services Business, to identify and plan activities for the coming year. And we will leverage on an expanded network of partners, including non-government organisations, other financial service providers and our counterparts in the Philippines, to increase the financial inclusion impact of Project Greenback.

With that, let me once again thank YB Datuk Hajah Jainab and the city of Kota Kinabalu for the opportunity to collaborate on this very important initiative to build inclusive communities where no one is left to suffer in abject poverty.