



Guidelines for Assessment of Compliance to Participation Rules and Operational Procedures for PayNet's Services

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Version 2.2

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Revision History

Version No.	Date of Update	Summary of Change	Updated By
1.0	06/12/2013	Initial Creation	MyClear
2.0	28/08/2014	<p>Clause 1.3 Applicability</p> <ul style="list-style-type: none"> Removing all references to MyMobile, in line with the discontinuation of services. Adding JomPAY to the applicable services. Adding criteria to exempt certain type of participants at Clause 1.3.2. <p>Clause 2.1.1 Adding Operational Procedures for JomPAY to the Applicable Rules.</p> <p>Clause 3.1.2 Removing the first year report submission date.</p>	MyClear
2.1	27/08/2015	<p>Clause 1.3.1.2 Change of name from e-Debit to MyDebit.</p> <p>Clause 2.1.1</p> <ul style="list-style-type: none"> Removing Direct Debit from FPX and update document as Operating Procedures for FPX at Item E. Adding Direct Debit documents i.e. Direct Debit Operating Manual and Direct Debit Operating Rules at Item F. Change of name from e-Debit to MyDebit and update document as MyDebit Operating Procedures at Item G. <p>Appendix 1 - Section D Amend template to include the following:-</p> <ul style="list-style-type: none"> Any unresolved prior year assessment findings Reason for delay in the implementation of the remedial action Indicate repetitive findings 	MyClear

Version No.	Date of Update	Summary of Change	Updated By
2.2	29/04/2019	<p>Administrative and Consequential Changes</p> <ul style="list-style-type: none">• Amended MyClear to PayNet throughout the document• Changed office address of Director of Risk and Compliance Division• Changed compliance group email addresses from myclear.org.my to paynet.my• Reflected latest titles of Participation Rules and Operational Procedures• Amended Clause 1.1.1 for clarity• Amended Clause 2.2.2 for clarity and make reference to Clause 2.2.3• Added SAN and RPP services <p>List of Services for Yearly Assessment</p> <ul style="list-style-type: none">• Inclusion of RPP services	PayNet

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1. OVERVIEW

1.1 Introduction

1.1.1. Participants are required to submit a Compliance Assessment Report:

- i) Confirming the Participants' adherence to all applicable Participation Rules and Operational Procedures for Payments and Debt Securities Systems;
- ii) Confirming the Participants' adherence to all applicable Participation Rules and Operational Procedures for Retail Payment Services; and
- iii) Certifying the Participants' Business Continuity Plan (BCP) arrangements in respect of these systems in accordance with Guidelines on Business Continuity Management for Participants of PayNet's Services.

1.1.2. These Guidelines are intended to provide a template for the Participants' annual assessment report submission to Payments Network Malaysia Sdn Bhd (PayNet). The Participants may determine the coverage of their assessment based on their own risk-based audit approach. Minimally, conformance to the Participation Rules and Operational Procedures for RENTAS, eSPICK, FAST, IBG and all services under Real-Time Retail Payments Platform (RPP) should be reviewed annually for Participants who subscribe to these services.

1.2. Objective

1.2.1. The independent assessment requirement is part of PayNet's effort to improve the end-to-end efficiency and reliability of the payment, clearing, settlement and depository services where PayNet is instituting measures to ensure robust verification of Participants' operational reliability, adequacy of BCP, and compliance to the Participation Rules and Operational Procedures issued by PayNet.

1.2.2. The requirement for independent certification of operational reliability and BCP is also in accordance with the International Monetary Fund and World Bank's recommendations for RENTAS published in the Assessment of Observance of the CPSS-IOSCO Principles for Financial Market Infrastructures report at the conclusion of the Financial Sector Assessment Program (FSAP) for Malaysia.

1.3. Applicability

1.3.1. The Guidelines are applicable to all Participants of PayNet's Payments and Securities Services namely:

1.3.1.1. Large Value Payments Services

- i) Real-time Electronic Transfer of Funds and Securities System (RENTAS);
- ii) Fully Automated System for Issuing/Tendering (FAST);
- iii) National Electronic Cheque Information Clearing System (eSPICK); and
- iv) Any other services to be introduced by PayNet from time to time.

1.3.1.2. Retail Payment Services

- i) Interbank GIRO (IBG);
- ii) FPX;
- iii) Direct Debit (DD);
- iv) MyDebit;
- v) JomPAY;
- vi) DuitNow;
- vii) National Addressing Database (NAD);
- viii) PayNet QR;
- ix) Shared ATM Network (SAN) – (Interbank Cash Withdrawal & Balance Inquiry, MEPS ATM);
- x) Instant Transfer;
- xi) Mobile Prepaid Top-Up;
- xii) Cross-Border ATM Service; and
- xiii) Any other services as may be introduced by PayNet from time to time.

1.3.2. Notwithstanding paragraph 1.3.1, FAST members that fit the following criteria, shall be exempted from complying with the Guidelines:

1.3.2.1. Members having access to FAST system to view information only; or

1.3.2.2. Rating agencies who upload rating or other information onto FAST system.

1.4. Responsibilities

1.4.1. Annually, an independent party such as the Compliance and/or Internal Audit Department of the Participants shall assess compliance with the applicable Participation Rules and Operational Procedures issued by PayNet.

1.4.2. The Participants may also engage a competent independent external party to perform the assessment. However, the Participants are reminded to adhere to the relevant regulatory requirements and approvals prior to the engagement of this external party. Although the assessment is conducted by the external party, the Head of Compliance or Head of Internal Audit is required to sign off on the Independent Assessment Report set out in **Section A of Appendix 1**.

2. ASSESSMENT APPROACH

2.1. Scope of Assessment

2.1.1. The assessment shall be made based on the applicable Participation Rules, Operational Procedures and Guidelines below (hereinafter collectively referred to as "Rules"):

	Services	Applicable Rules
A	RENTAS (including Securities Depository Services)	<ol style="list-style-type: none"> 1. Participation Rules for Payments and Securities Services 2. Operational Procedures for Securities Services 3. Operational Procedures for Malaysian Ringgit Settlement in RENTAS 4. Operational Procedures for Foreign Currency Settlement in RENTAS 5. Operational Procedures for Cross-border Securities Custody Services in RENTAS 6. Central Securities Depository and Paying Agency Rules
B	FAST	<ol style="list-style-type: none"> 1. Participation Rules for Payments and Securities Services 2. Operational Procedures for Securities Services
C	eSPICK	<ol style="list-style-type: none"> 1. Participation Rules for Payments and Securities Services 2. Operational Procedures for eSPICK
D	IBG	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for IBG
E	FPX	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for FPX
F	Direct Debit	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for Direct Debit
G	MyDebit	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for MyDebit
H	JomPAY	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for JomPAY
I	RPP	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for Real-Time Retail Payments Platform (RPP) 3. Overlay Service Procedures for DuitNow 4. Overlay Service Procedures for National Addressing Database (NAD) 5. Overlay Service Procedures for PayNet Quick Response Code (PayNet QR)
J	SAN	<ol style="list-style-type: none"> 1. Participation Rules for Retail Payment Services 2. Operational Procedures for Shared ATM Network (SAN) 3. Overlay Service Procedures for Instant Transfer 4. Overlay Service Procedures for Mobile Prepaid Top-Up 5. Overlay Service Procedures for Cross Border ATM Service
K	Business Continuity Management	Guidelines on Business Continuity Management for Participants of PayNet's Services

	Services	Applicable Rules
L	Any other services may be introduced by PayNet from time to time	The related Rules and Operational Procedures

- 2.1.2. Participants shall ensure that the independent assessment is performed using the latest Rules issued by PayNet from time to time.
- 2.1.3. Participants shall define the coverage/area of assessment based on Participants' own risk-based approach in **Section B of Appendix 1**. The coverage/area of assessment should be prioritised, at a minimum, based on the following factors if the applicable services specified in Section 2.1.1 are disrupted:
- i) Transaction volumes and total amounts impacted; and
 - ii) Number of customers or end-users of the services impacted.
- 2.1.4. Notwithstanding section 2.1.3 above, the assessment report should include an assessment of at least the following areas:
- i) Achievement of service levels to customers;
 - ii) Adequacy of risk management processes;
 - iii) Implementation of physical and system security measures and controls;
 - iv) Adequacy of processes to ensure that significant systems and operational processes, security measures and controls are reviewed periodically;
 - v) Observance of BCP requirements specified in the Rules, including but not limited to verification of disaster recovery readiness and the achievement of Maximum Tolerable Downtime (MTD) and Recovery Time Objectives (RTO) for these services; and
 - vi) Adequacy of resources to ensure the safe, reliable and efficient functioning of systems and operations.

2.2. Frequency and Excluded Areas for the Year of Assessment

- 2.2.1. As RENTAS and eSPICK are designated payment systems, FAST is essential for treasury operations, IBG and RPP are increasingly critical as the primary alternative to cheques, these systems should be classified as critical systems for Participants and must be **reviewed annually**.
- 2.2.2. For systems that are less critical, Participants are required to observe the frequency as per Clause 2.2.3. The assessment frequency and the basis for establishing the frequency should be included in the report to be submitted to PayNet.
- 2.2.3. Notwithstanding the above, Participants shall ensure that all systems that they subscribed to are reviewed at least **once every two calendar years**.
- 2.2.4. Participants shall provide reasons/justification for the systems which are not reviewed for that particular assessment year together with the expected year for review in **Section C of Appendix 1**.

2.3. Incidents of Non-compliance or Instances Where Service Levels to Customers Were Not Met

- 2.3.1. Participants are required to disclose incidents of non-compliance or instances where service levels as stipulated in the Rules were not met.
- 2.3.2. For such non-compliances, Participants shall indicate the remedial actions taken or proposed and target timelines to overcome and/or mitigate further non-compliance.

3. REPORTING

3.1. Submission

- 3.1.1. Participants are required to follow the report template, with **Sections A to D** completed as outlined in **Appendix 1**.
- 3.1.2. Participants are required to submit the Assessment Report by **31 March each year** for the preceding calendar year of assessment.
- 3.1.3. Submission shall be made to PayNet via hard copy to the following address:

Director
Risk and Compliance Division
Payments Network Malaysia Sdn Bhd (PayNet)
Level 6, Tower 5
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur.

- 3.1.4. In addition, a similar submission shall also be made to PayNet via soft copy to compliance@paynet.my. The assessment report should be provided in Microsoft Excel or Word editable format.

3.2. Contact Details

If there are queries pertaining to PayNet's Rules, Participants may write in to the Compliance Department at compliance.lvp@paynet.my for Large Value Payments Services related matters or compliance.retail@paynet.my for Retail Payment Services related matters.

4. APPENDIX

Appendix 1 – Independent Assessment Report

PARTICIPANTS' LETTERHEAD

INDEPENDENT ASSESSMENT REPORT ON COMPLIANCE TO PAYNET'S RULES

Name of Bank/Organisation: []

Year of Assessment : [Year]

Section A - Confirmation of Independent Assessment

I, Head of Compliance/Internal Audit of [bank/organisation] hereby confirm to PayNet that:

- (i) We *[External Independent Party appointed by us (delete if not applicable)]* have undertaken a review of the [bank/organisation]'s compliance to the relevant Participation Rules and Operational Procedures ("Rules") issued by PayNet for the services as listed in **Section B** with the excluded areas for this year's assessment as listed in **Section C**.
- (ii) We have adequately assessed our organisation's adherence to all requirements in the Participation Rules and Operational Procedures issued by PayNet and have obtained assurance that our organisation is in compliance with the Rules, including but not limited to the following:
- Service levels to customers are met;
 - Adequate risk management processes are in place;
 - Adequate physical and system security measures and controls have been implemented;
 - All significant systems and operational processes, security measures and controls are reviewed periodically;
 - BCP arrangements as specified in the Rules are fully observed, including but not limited to verification of disaster recovery readiness and the achievement of Maximum Tolerable Downtime (MTD) and Recovery Time Objectives (RTO) for these services; and
 - Adequate resources are in place to ensure the safe, reliable and efficient functioning of systems and operations.
- (iii) Details of non-compliance or instances when service levels to customers were not met are listed in **Section D** below.

- (iv) In relation to item (iii) above, we have verified that the necessary remedial actions have been implemented or will be tracked for completion to overcome and/or mitigate further non-compliance.

Signature :

Name :

Designation :

Date :

Section B - Scope of Assessment

The scope of the assessment is as follows:-

This is an example. The areas listed below are for illustrative purposes only.

Services	
<i>RENTAS (including Securities Services)</i>	<ol style="list-style-type: none"> 1. <i>Participation Rules for Payments and Securities Services</i> 2. <i>Operational Procedures for Securities Services</i> 3. <i>Operational Procedures for Malaysian Ringgit Settlement in RENTAS</i> 4. <i>Operational Procedures for Cross-Border Securities Custody Services in RENTAS</i> 5. <i>Central Securities Depository and Paying Agency Rules</i>
<i>FAST</i>	<ol style="list-style-type: none"> 6. <i>Participation Rules for Payments and Securities Services</i> 7. <i>Operational Procedures for Securities Services</i>
<i>eSPICK</i>	<ol style="list-style-type: none"> 8. <i>Participation Rules for Payments and Securities Services</i> 9. <i>Operational Procedures for eSPICK</i>
<i>RPP</i>	<ol style="list-style-type: none"> 10. <i>Participation Rules for Retail Payment Services</i> 11. <i>Operational Procedures for Real-Time Retail Payments Platform (RPP)</i> 12. <i>Overlay Service Procedures for DuitNow</i>
<i>IBG</i>	<ol style="list-style-type: none"> 13. <i>Participation Rules for Retail Payment Services</i> 14. <i>Operational Procedures for IBG</i>
<i>IBFT</i>	<ol style="list-style-type: none"> 15. <i>Participation Rules for Retail Payments Services</i> 16. <i>Operational Procedures for Shared ATM Network</i> 17. <i>Overlay Services Procedures for Instant Transfer</i>

Section C – Excluded Areas for This Year's Assessment

The following services/areas are excluded from our assessment for this year for reasons below:

This is an example. The areas listed below are for illustrative purposes only.

Areas not audited/ reviewed	Reason	Target Date for Review
<i>RENTAS - Operational Procedures for Foreign Currency Settlement in RENTAS</i>	<i>Not subscribed to the services/system</i>	<i>N/A</i>
<i>FPX</i>	<i>To be reviewed in next year's assessment</i>	<i>* 2015</i>

* Participants are to review all services every two (2) calendar years save for RENTAS, eSPICK, FAST IBG and RPP, where the review is to be conducted annually.

Section D (i) – Incidents of Non-Compliance or Instances Where Service Levels to Customers Were Not Met

Please follow the format stated below. Please state **NIL** if there are no findings. For repeated findings, please indicate the **Year of Assessment (YA)** when the findings were submitted to Payments Network Malaysia Sdn Bhd in the “Repeated Findings” Column.

This is an example. The findings below are for illustrative purposes only.

No.	Services	Date/ Month	Details of Non-Compliance (details should consist of the incident, cause and impact)	Remedial Action/ Areas for Improvement	Repeated Findings	Target Date/ Timeline
<i>Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System (RENTAS)</i>						
1	E.g. Clause 9.7 on Availability of Funds for Beneficiary 9.7.1 – All receiving Participants shall make funds available to the beneficiary customers within 30 minutes of receiving a credit confirmation advice from RENTAS CHS.	February 2015	Incident: Funds not available/credited to the beneficiary/ customers’ accounts within 30 minutes. Cause: Requires manual intervention/Significant increase in volume of transactions. Impact: Unable to meet customer’s expectation.	1. The Bank has embarked on the system enhancement project in conjunction with PayNet’s initiative on the ‘New RENTAS System’ to fully resolve the constraints faced in handling these transactions in a manual manner. 2. The enhanced system will include straight-through- processing (STP) feature (based on SWIFT payment format standards), which eliminate manual	YA 2014	Q1 2016

No.	Services	Date/ Month	Details of Non-Compliance (details should consist of the incident, cause and impact)	Remedial Action/ Areas for Improvement	Repeated Findings	Target Date/ Timeline
				<i>handling as in the case of the existing process.</i>		
<i>Operational Procedures for eSPICK</i>						
2	<i>E.g. Clause 9.3 on Non-clearing items Clause 9.3.3 – Participants shall submit NCI for archival within one (1) month from the date of clearing.</i>	<i>February 2015</i>	Incident: <i>Failure to submit NCI for month of January</i> Cause: <i>Human error. Staff overlooked the reporting process.</i> Impact: <i>Penalty from PayNet</i>	<i>i) NCI submitted together with February figures. ii) Introduced a maker checker for the reporting and update process in the internal procedures</i>	<i>Not Applicable</i>	<i>i) Completed ii) April 2015 (Completed)</i>
<i>Operational Procedures for Interbank GIRO</i>						
3	<i>E.g. Clause 5.1 - IBG Processing Time Schedule All Participants and PayNet shall adhere to the scheduled processing time as stipulated in the table</i>	<i>January 2015</i>	Incident: <i>The Bank is currently unable to comply with the 1st Window originator's cut-off time and collection time requirement for the processing of IBG transactions.</i> Cause: <i>System limitation.</i> Impact: <i>Inability to meet customer expectation.</i>	<i>The Bank is currently enhancing its system in order to automate the extraction of customers' payment instructions and to facilitate the auto-debiting of customers' account.</i>	<i>YA 2013 YA2014</i>	<i>July 2015 (Completed)</i>

Section D (ii) – Status of Outstanding Items in Prior Years' Assessment

Please state **NIL** if there is no outstanding item.

This is an example. The finding below is for illustrative purpose only.

No.	Year of Assessment (YA) / Details of Non-Compliance	Remedial Action/ Areas for Improvement	Initial Target Date/ Timeline	Revised Target Date/ Timeline	Reason for delay/ Remarks
<i>Operational Procedures for Interbank GIRO</i>					
1	<p>YA 2014</p> <p>Incident: The Bank has yet to notify customers on rejected transactions for IBG services offered via electronic banking channels (i.e. internet banking and ATM).</p> <p>Cause: System is unable to send alerts or notification to customers for such rejected transactions</p> <p>Impact: Customer complaints as they are unaware their transactions are rejected.</p>	<p>Require internal system enhancements on customer alert/notification</p>	<p>31 December 2015</p>	<p>31 March 2016</p>	<p>Change in vendor for the system enhancements.</p>