

Southeast Asia's Cross-Border Real-Time Payments Network Emerges with Payments Innovation as Driving Force, New Research from ACI Worldwide and Kapronasia Reveals

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New report envisions the development of Southeast Asia's pan-regional real-time payments ecosystem

NAPLES, Fla. & SINGAPORE--(BUSINESS WIRE)--Jun. 24, 2020-- Southeast Asia is emerging as a global focal point for cross-border real-time payments growth, with ISO 20022 and QR codes as key drivers, according to [Envisioning a pan-regional real-time payment ecosystem in Southeast Asia](#). The new research, published by [ACI Worldwide](#) (NASDAQ: ACIW) and financial technology market research and consulting firm [Kapronasia](#), reveals real-time payments innovation as a key enabler for Southeast Asia as the region pursues economic recovery and further digital transformation as a result of COVID-19.

Southeast Asia, as represented by the intergovernmental Association of Southeast Asian Nations (ASEAN), saw total merchandise trade grow from US\$1.2 trillion in 2005 to US\$2.8 trillion in 2018, with a quarter related to intra-ASEAN trade. Growth in eCommerce has been even more pronounced, rising from US\$11 billion in 2017 to US\$24 billion in 2018, while the overall internet economy is [projected to triple in size by 2025 and reach US\\$300 billion](#).

Increasing regional and global trade, paired with the rapid-growth internet economy, has led stakeholders to focus on deeper integration of financial services and put in place the foundations for a pan-Southeast Asia real-time payments ecosystem. Standardized, instant and seamless payments could boost intra-regional economic activity at a lower cost — and encourage future growth across the region.

“Southeast Asian countries are making significant strides in payments modernization, with nearly every major country in the region having robust domestic real-time payments infrastructure in place,” said Leslie Choo, managing director – Asia, ACI Worldwide. “Despite the lack of uniform regulations and disparate economic priorities across the region, it’s clear that market forces — driven by the needs of businesses and consumers — will propel Southeast Asia towards the realization of a multi-country real-time network. It is a complex undertaking, but one that ACI is committed to supporting through market-proven solutions for banks and central infrastructures. The emerging ecosystem promises significant benefits and will greatly support growth and economic prosperity in the broader region.”

Adoption of the ISO 20022 standard is already enabling more streamlined communication between payment systems and additional overlay services like DuitNow in Malaysia, PayNow in Singapore and PromptPay in Thailand. Standards and technologies such as ISO 20022 and QR codes are among the critical enabling components that provide essential “on-ramps” to drive usage and participation in these schemes.

“Consumers across Asia have been quick to adopt real-time payments — delivered through a broad range of overlay services — because of the convenience and functionality they offer,” said Zennon Kapron, founder & director, Kapronasia. “Unencumbered by legacy payment systems, which can impede innovation in many mature markets, Southeast Asian countries are starting to leverage domestic central payment infrastructures as a basis for cross-border linkages for both retail and commercial real-time payments. The massive payment system modernization already taking place across Southeast Asia will result in further bilateral cross-border linkages, which will eventually coalesce into a larger payment network.”

The new paper outlines key learnings for banks and central infrastructures (CIs), including:

Banks

- Banks that implemented short-term solutions to gain access to real-time payments rails are now taking a longer, more strategic view. Adopting a more agile approach will be key to their success and help extend real-time payments and related overlay services into the SME/merchant space.
- Continual system upgrades will be needed for banks and financial institutions to remain compatible with emerging cross-border electronic transfer networks.
- Increasing competition from fintechs, for example in cross-border remittances, is putting cost pressure on banks; value-added services that can be layered on top of payments will become increasingly important as revenues shift from payment fees to ancillary services.

Central Infrastructures

- Working with proven technology providers and leveraging standards such as ISO 20022 will help CIs to transition to a pan-regional cross-border payment network while retaining extensibility for future upgrades and extensions.
- Meeting individual country compliance requirements and considering future regulatory plans will be a critical challenge for CIs as a regional network emerges.
- Standardized interfaces make it easier for merchants, billers, fintechs and intermediaries to access and leverage the value of any platform — open APIs will be key to ensuring that technology is not a barrier to adoption.

“The cross-border payments market in Asia is shifting rapidly, as market dynamics, growing competition and an increasingly demanding customer base drive change,” continued Choo. “As payment systems continue to modernize and the market innovates, it is important for banks and governments to stay on top of trends.”

Download the complete paper “[Envisioning a pan-regional real-time payment ecosystem in Southeast Asia](#),” from Kapronasia and ACI Worldwide: www.aciworldwide.com/SEareport

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