Embracing The Growth and Trending Demand of E-Commerce in Malaysia

1 E-commerce emerged rapidly after year 2012. From conservative perception on the online transaction security and insecure of merchandising, slowly the community is accepting the trend and benefits of e-commerce.

2 Since 2011, Malaysian government has initiated a method of providing the consumer a level of confidence to the online merchant via a trust seal to the e-commerce website. The digital certification is named Malaysia Trustmark. [http://mytrustmark.cybersecurity.my/index.html](http://mytrustmark.cybersecurity.my/index.html).

3 CyberSecurity Malaysia is appointed to drives the Malaysia Trustmark on the e-commerce merchant. Through Malaysia Trustmark, CyberSecurity Malaysia able to provide its expertise in validating the website security from any exploitation.

4 Other than online security validation, Malaysia Trustmark also promotes good e-commerce practice based on global best practices. The Malaysia Trustmark requirements refer to the World Trustmark Alliance Code of Conduct for evaluation and approval principles upon issuing a trust seal on the merchant’s website. Malaysia had become the member of the World Trustmark Alliance (WTA) since 2011. WTA is an organisation that harmonised a guideline for the trustmark operator. Through the membership, the certified merchant is recognised between the country members.

5 WTA code of conduct consists of 6 domains for the operator to refer and implement based on the type of trustmark they offered: [http://worldtrustmark.org/index.php/wta-documents.html](http://worldtrustmark.org/index.php/wta-documents.html)

![Figure 1: 6 Domains in WTA Code of Conduct for Trustmark Operator](image-url)

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After 3 years, the e-commerce trend has growth exponentially resulting more initiatives from the government to support the local merchant and at the same time promoting the economy development.

On 18th Jan 2016, a platform is established and chaired by the Ministry of International Trade and Industry (MITI) named as National eCommerce Council (NECC). The objectives are to accelerate growth of eCommerce in Malaysia through governance and implementation of the National eCommerce Strategic Roadmap (NeSR). NECC members consist of relevant ministries and agencies who will be responsible to coordinate the implementation of programs under the NeSR.

The key aspects of NeSR are six (6) thrust areas with a supportive governance framework: [http://tinyurl.com/zo2b97s](http://tinyurl.com/zo2b97s)

![Figure 2: 6 Thrust Areas under National eCommerce Strategic Roadmap](image)

Through these areas, all the stakeholders in eCommerce ecosystem could contribute towards the national agenda which is doubling eCommerce growth.

On 22 March 2017, Malaysia and China had launched the world’s first Digital Free Trade Zone (DFTZ) that will provide physical and virtual zones to facilitate SMEs to capitalise on the convergence of exponential growth of the internet economy and cross-border e-commerce activities. DFTZ will act as a microcosm to support internet companies to trade goods, provide services, innovate and co-create solutions. - [https://www.mdec.my/news/malaysia-launches-worlds-first-digital-free-trade-zone](https://www.mdec.my/news/malaysia-launches-worlds-first-digital-free-trade-zone)

DFTZ consist of 3 main components:
i. **eFulfillment Hub** will be centred at KLIA Aeropolis. KLIA Aeropolis development is centered on the key clusters of air cargo and logistics, aerospace and aviation. The initial phase will be rolled out before the end of 2017 by Alibaba, Cainiao, Lazada and POS Malaysia, leading to the formal launch of Alibaba’s facility at the end of 2019.

ii. **Satellite Services Hub**, to be located in Bandar Malaysia. Kuala Lumpur Internet City (KLIC) will be the first satellite services hub of DFTZ and will be developed by another strategic partner, Catcha Group, Southeast Asia’s leading internet group. KLIC is set to be the premier digital hub for global and local internet-related companies targeting Southeast Asia. It will comprise of key players within the internet ecosystem to facilitate end-to-end support, networking and knowledge-sharing that will drive innovation in the internet economy and the eCommerce industry.

iii. **E-Services Platform**, will be made available in time to support the goods movement within DFTZ. The e-Services platform will also offer integrated services that will help deliver a streamlined and efficient experience to the users operating from the DFTZ.

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12 The Personal Data Protection Act 2010 (PDPA) has been gazetted on 15 November 2013. – [https://united-kingdom.taylorwessing.com/globaldatahub/article_malaysia_dp.html](https://united-kingdom.taylorwessing.com/globaldatahub/article_malaysia_dp.html)

13 Some important notes pertaining to the PDPA are:
i. The PDPA does not apply to personal data processed outside Malaysia unless such data is intended to be further processed in Malaysia. The PDPA does, however, apply to parties not established in Malaysia but using equipment in Malaysia to process personal data other than for purposes of transit through Malaysia.

ii. The PDPA does not permit a data user to transfer any personal data outside Malaysia except to countries specified by the Minister and published in the Gazette. There are certain exceptions specified in the PDPA where personal data can be transferred out of Malaysia, i.e. where the individual has given consent to the transfer, if the transfer is necessary for the performance of a contract between the individual and data user, the transfer is for purposes of legal proceedings or for the purposes of obtaining legal advice.

iii. The Malaysian Federal and State governments are also excluded from complying with the PDPA.

Due to this exemption, it is important for Malaysia to adapt and cater for the e-commerce requirement especially in cross-border information flows via online transaction. Without privacy regulation recognition between countries, the privacy enforcement authority will have difficulties to ensure the information privacy is secure and do enforcement to data user who breach the privacy policy.

Privacy regulation recognition between countries could be done under the APEC Cross-Border Privacy Rules System (CBPRs) as a platform to harmonise the implementation and channel of monitoring on the e-commerce merchant.

Participating in such platform may require feasibility study to know whether Malaysia is ready to take the challenges and is well prepared to meet the requirement. Based from the earlier e-commerce initiatives implementation, in order to achieve good impact or recipient from the society, government needs to utilise the mass media including social media platform. Most of the merchant in e-commerce are the younger generation that spend most of their time and business marketing via internet. Without proper budget allocation to these marketing platform, some initiative may not get good response. In fact, the program will not be able to sustain for a long term.