

Retail cross-border infrastructures to support international remittances

*Get connected
to the future*

Remittances and financial inclusion and the role of Postal organisations

Henrik Parl
Managing Director

Sydney, October 2006



 **EUROGIRO**
Consider yourself connected

Sydney, October 2006

www.eurogiro.com

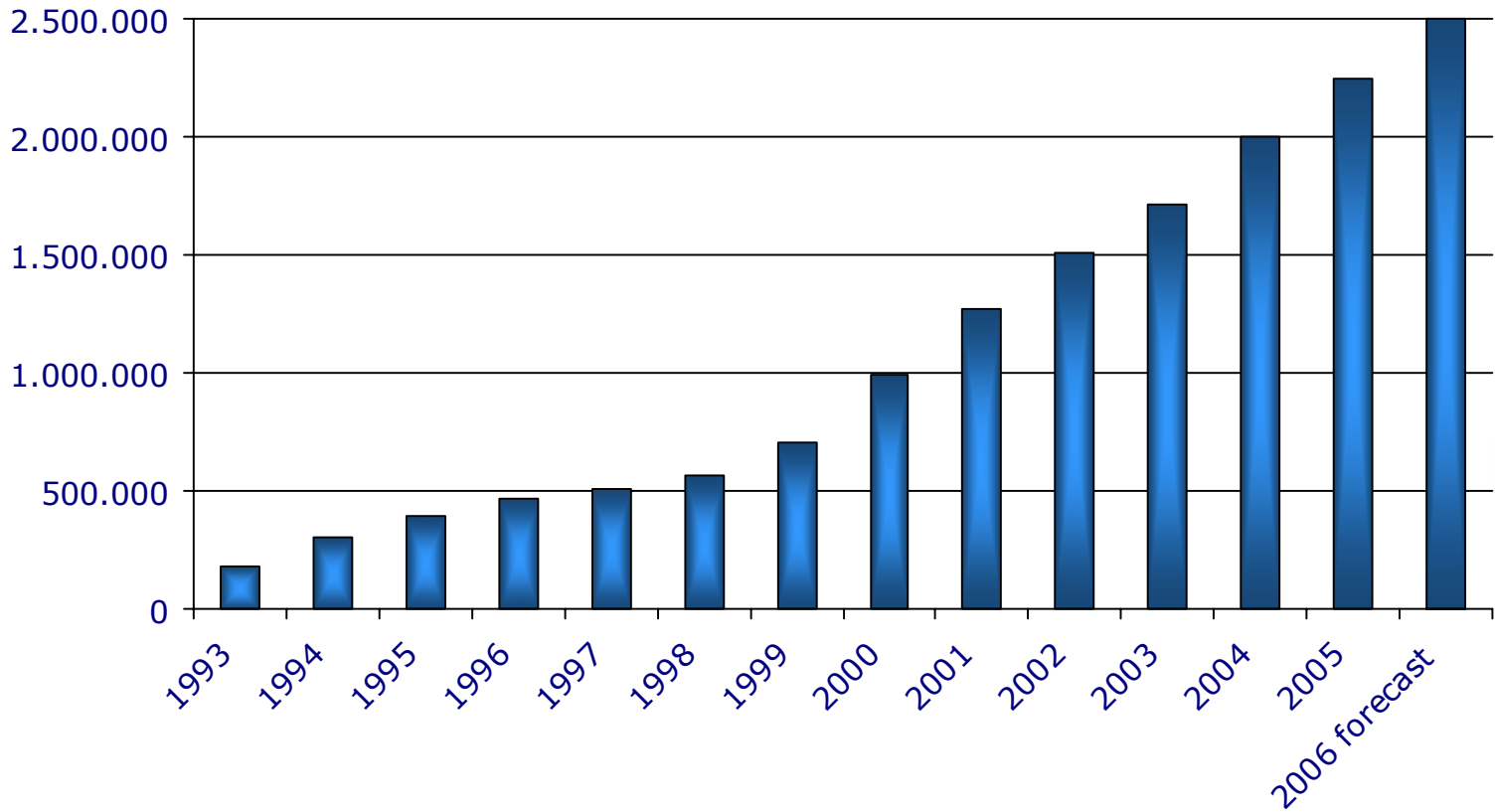
59 connections in 49 countries



AF	Afghanistan International Bank	IL	Israel Postal Company
AL	Posta Shqiptare sh.a.	IS *	Póstgíró
AT *	BAWAG P.S.K.	IT *	Poste Italiane
AU	ANZ Bank	IT	Banca Popolare di Sondrio
BA	Nova Banka	JP	Japan Post, Postal Savings Business Headquarters
BE *	Financial Post	JP	American Express Bank
BG	Finance Engineering	KR	Korea Post
BR	Empresa Brasileira de Correios e Telégrafos - ECT	LU *	EPT Luxembourg
CA	National Bank of Canada	LV	Latvia Post
CA	Canada Post Corporation	MA	Banque Centrale Populaire
CH *	PostFinance/Swiss Post	MA	Barid Al Maghrib
CV	Cape Verde Post	MN	XacBank
CN	China Post	NL *	ING/Postbank
CS	Postal Savings Bank	NO	ING/Postbank (EUR & NOK transfers)
CZ	CSOB	PH	Philippine Postal Corporation
DE *	Deutsche Postbank	PL	ING/Bank Śląski
DK	Sydbank	PL	Polish Post
EG	CIB (Egypt) S.A.E.	PT *	CTT Correios de Portugal
ES	BBVA	RO	Banc Post
ES	Correos y Telegrafos	RO	Posta Romana
FI	ING/Postbank (EUR transfers)	SE	ING/Postbank (EUR & SEK transfers)
FR *	La Banque Postale	SI	Postna Banka Slovenije
GB *	Alliance & Leicester Commercial Bank plc	SK	Postova Banka
GB	Visa	SN	Postefinances
GR	Hellenic Post	TG	Societe des Postes du Togo
GR	EFG Eurobank Ergasias	TH	Thailand Post Co
HR	Croatia Post	TR	Turkish Post
HU	Magyar Posta	TN	La Poste Tunisienne
IE *	An Post	USA	Deutsche Bank
		USA	Federal Reserve Bank

www.eurogiro.com

Monthly transactions



www.eurogiro.com

EUROGIRO products

- Payment transfers
 - standard (max. 3 days) and urgent
 - to accounts with members
 - to accounts with 3rd banks
- Cash payments (Money orders)
 - Standard
 - Two-day product; Eurogiro-TMO®
 - Western Union urgent cash
 - COD – Cash on delivery
 - Cheque payments
- Bulk and pension payments

www.eurogiro.com

Eurogiro – providing connectivity

Gateway of business opportunities for Eurogiro members:

The Eurogiro SWIFTNet Closed User Group

- Exchange transactions in FileAct format with any SWIFTNet member and any Eurogiro member on the same system;
- Access from SWIFT system to (postal) members with ELS systems and access from ELS system to (banking) members with SWIFT system

Eurogiro Select solution

- Access for non-banks through dedicated network

The Eurogiro/Visa solution

- Receive payments from Visa card holders; additional volume and revenue to the Eurogiro members

WSBI (Savingsbanks) co-operation on remittances



www.eurogiro.com

Eurogiro – providing connectivity (cont.)

The FED-Eurogiro Partnership

- Incoming traffic (from potentially any US bank) with fee and foreign exchange income
- Live in pilot phase.

Eurogiro/Postal org. – The Tele Money Order (TMO)

- New revised two-day cash product mixing Track & Trace techniques and Eurogiro bulking principles
- Can be exchanged electronically between the UPU/IFS network and the Eurogiro network

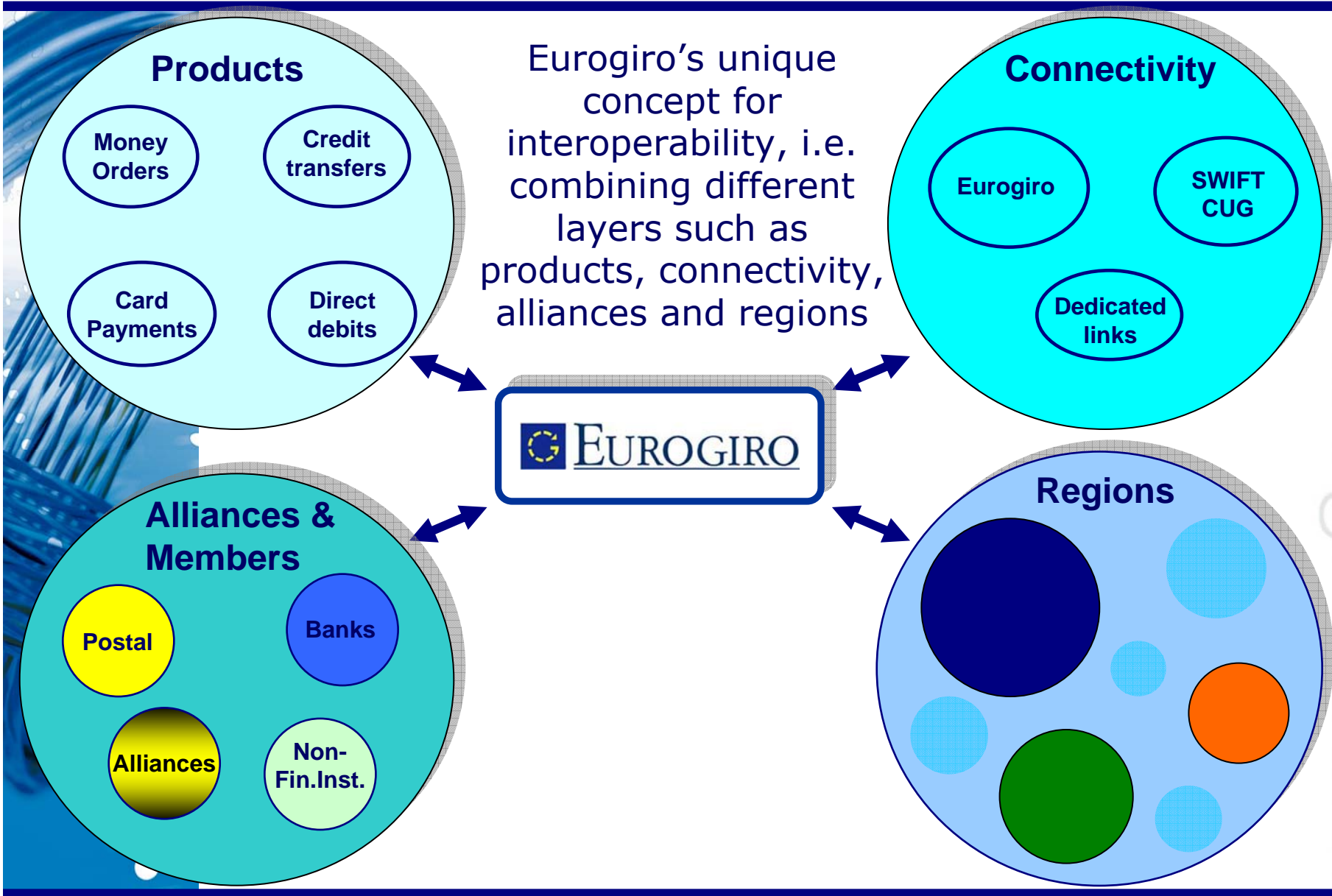
Eurogiro/Western Union – Urgent Cash

- Support from Eurogiro of the Urgent Cash product of Western Union
- Option to connect to Western Union through the Eurogiro ELS interface
- Nearly 30 Eurogiro members as Western Union agents and strong volume growth

Multilateral settlement: ESSP and USSP

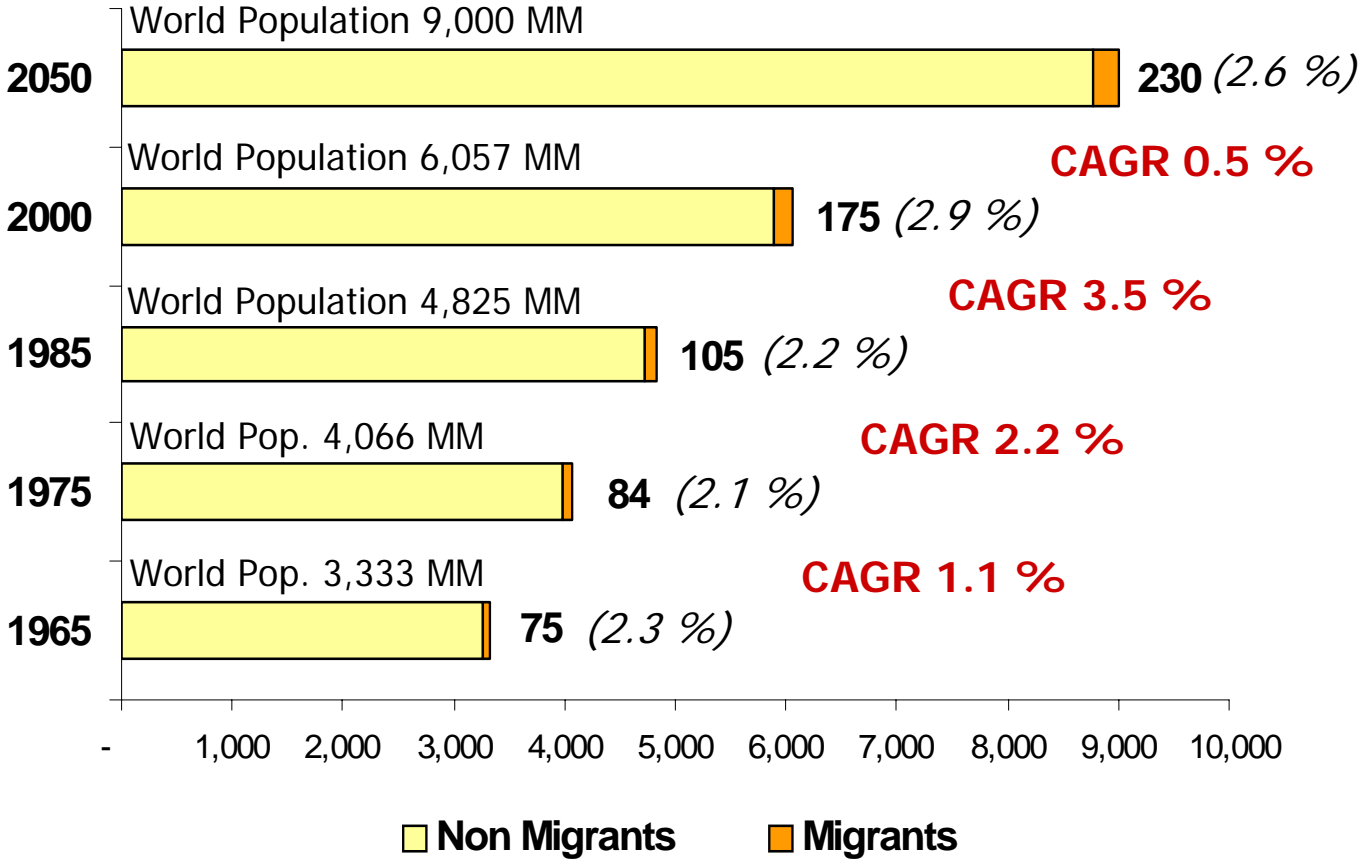


www.eurogiro.com



www.eurogiro.com

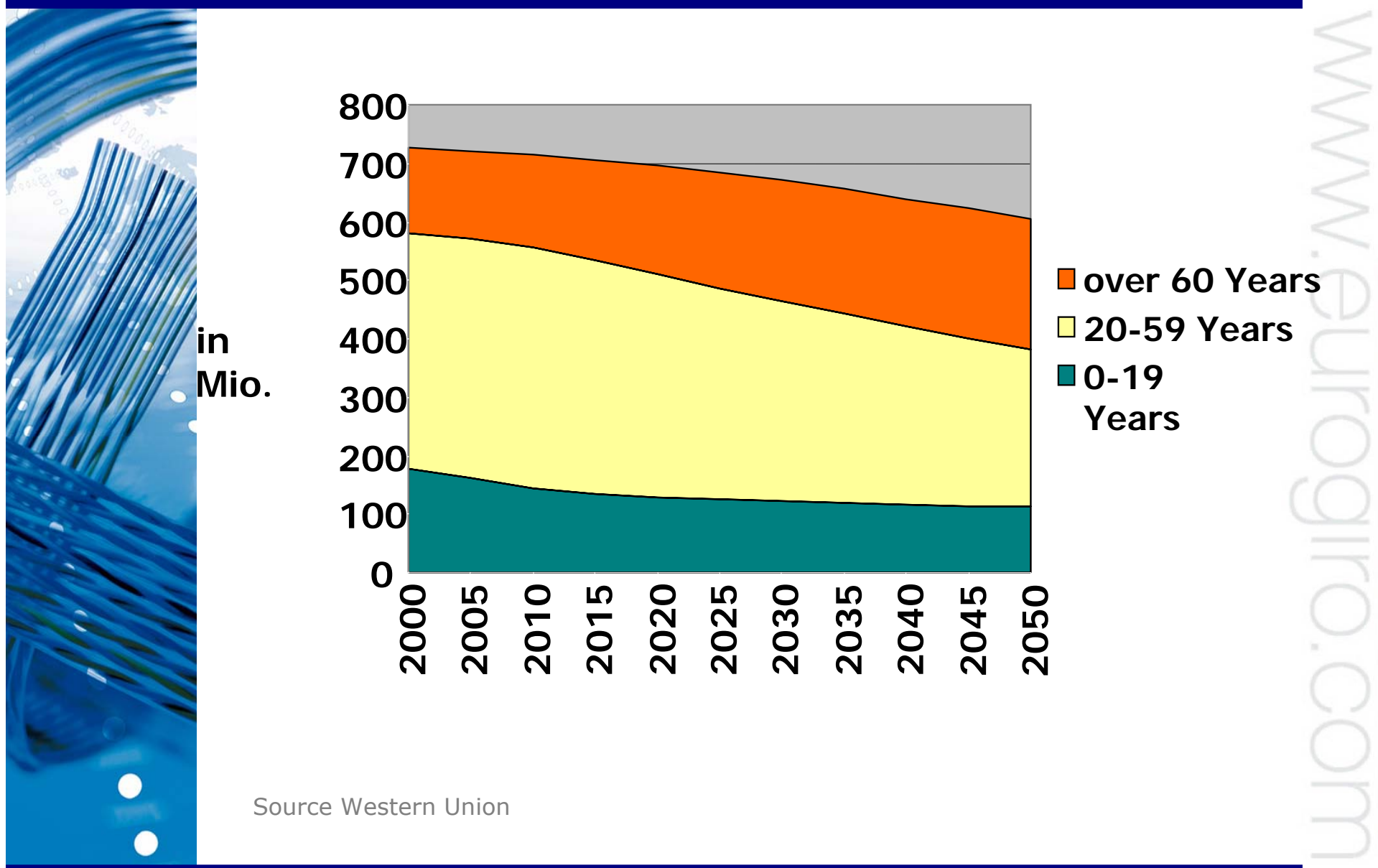
Number of migrants will be growing in the next decades



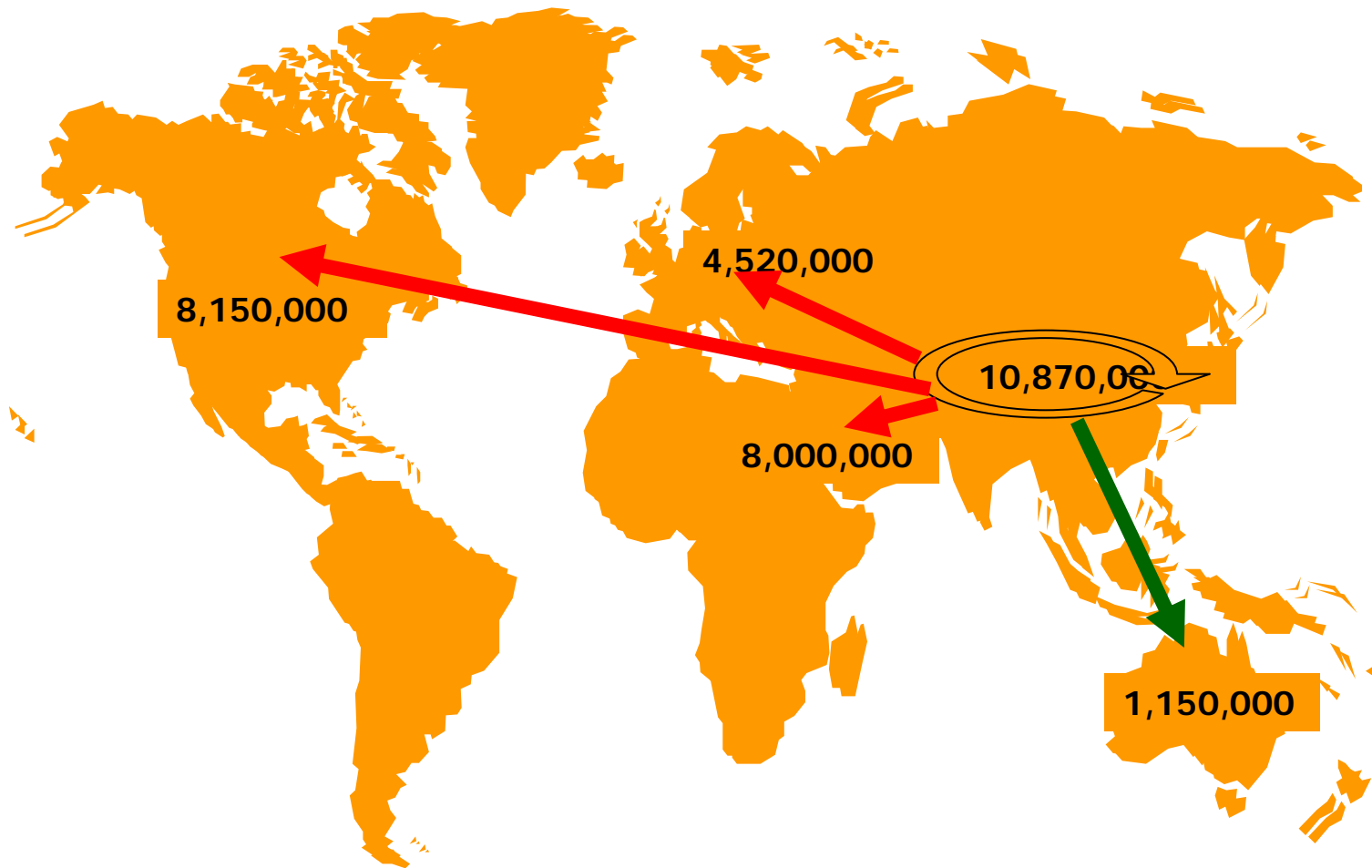
Source: UN Population Division (2002), IOM (2000), MPRP calculations

www.eurogiro.com

European Population Development up to 2050



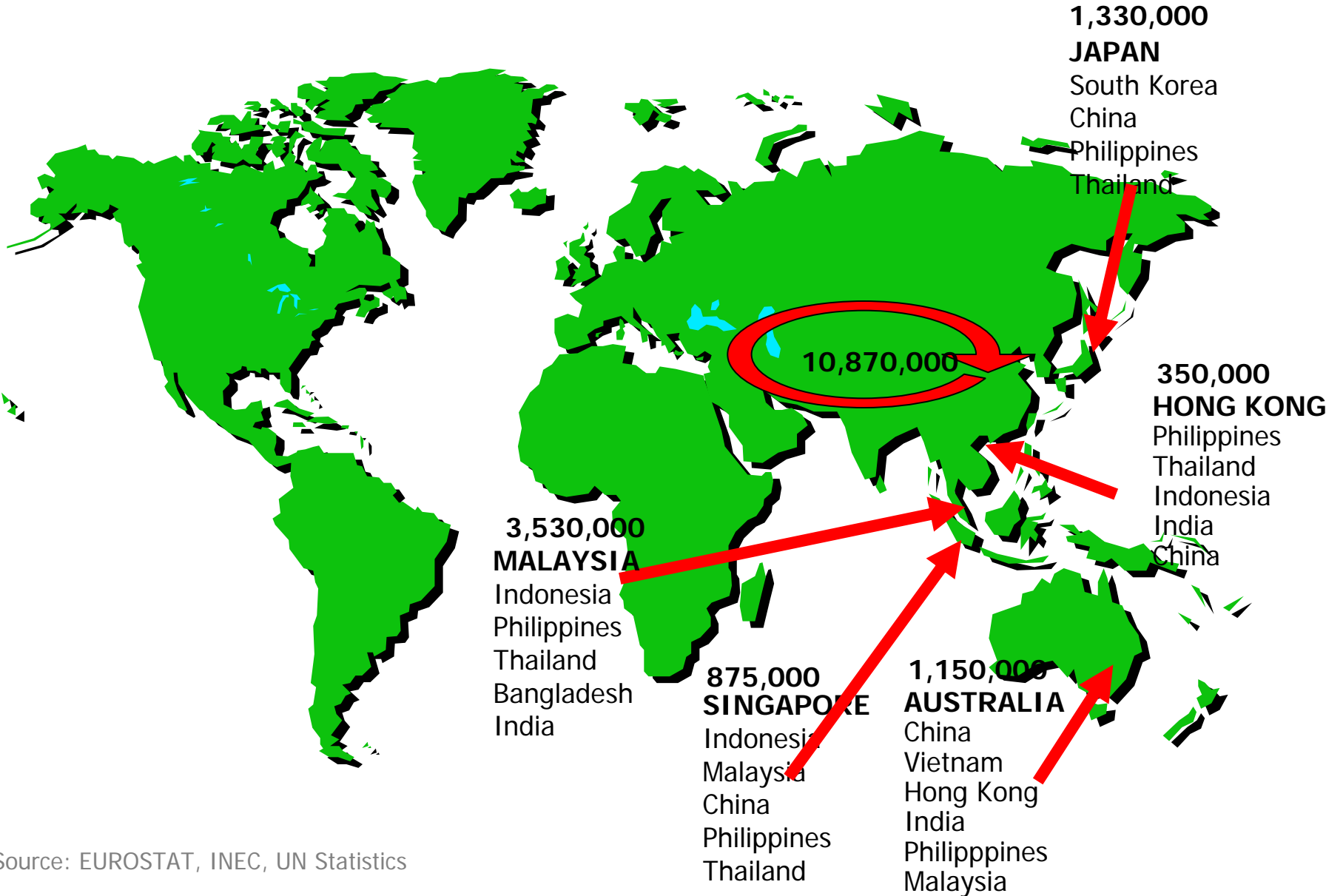
More than 30 MM Asians living outside their country of origin



Source: EUROSTAT, INEC, UN Statistics

www.eurogiro.com

Intra Asian Migration



Source: EUROSTAT, INEC, UN Statistics

The remittance market

- Estimated at 200-300 billion dollars
- Growth expectations +10%
- Nearly 200 million migrants
- 500 million people dependant on remittances
- Money Transfer companies market share of about 20%
- 25-40% of remittances are via informal channels

Overall challenges for remittance market

- Low competition in medium/small remittance corridors resulting in high fees
- Access to rural areas and support of cash payments and longer term access to financial services
- Compliance
- Large informal market giving compliance issues and lack of statistics
- Lack of business case for financial organizations due to fragmented market



www.eurogiro.com

Learning curve



Key features

Institutional:

Partnership with the private and financial sector

Distribution

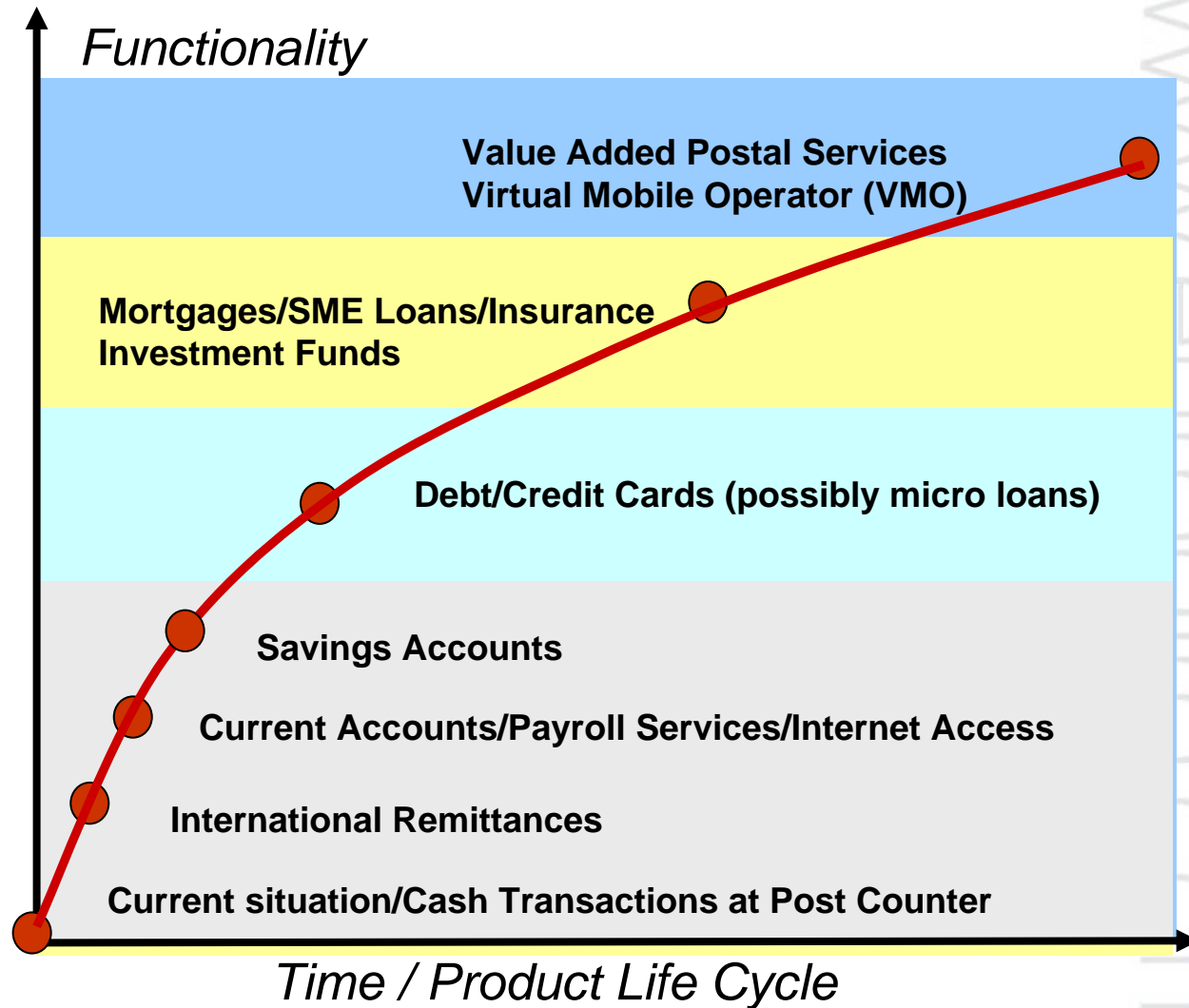
Multichannel, with direct marketing

Products

Full range of standard products

Customers:

For all; focus on domestic consumers, SMEs and utilities/employers



Untapped Potential; Reform Challenges

To include postal networks as infrastructure in inclusive financial sector development reform programs are needed

Post/ Government prerequisites

- Cross-sectoral Policy co-ordination
Regulatory framework
- Transparency and sustainability; separate management and accounting for postal and financial services
- Corporate Governance and accountability
- Commercialization/ Public-Private Partnerships
- Capacity Building
- Technology

Postal Organisations are very suitable

- Postal organisations are very suited to serve the remittance market:
 - Network (660,000 outlets) in 180 countries
 - Offer financial services in about 150 countries
 - Often located in rural areas
 - Immigrants are welcome
 - Products & standards (TMO)
 - Existing systems (IFS, Eurogiro, Western Union etc.)
 - Can handle cash and small amounts
 - Strong global brand

Postal organisations are in a unique position to serve remittance needs and to enable financial inclusion.



www.eurogiro.com

Eurogiro's remittance value proposition

- **Access** for financial institutions and payment service providers
- Postal member's traditional role of providing **access** (accounts, cards or cash) to **immigrants**, i.e. financial **inclusion**
- Eurogiro **interoperability**
- Eurogiro provides a low cost **link between the banking world and the postal world** by combining cash, account and card services
- Eurogiro **connectivity solutions** include from 'state of the art' banking solutions (SWIFT Closed User Group) to windows/pc-based solutions
- Eurogiro has developed more and more into a **multilateral** setup for payments and settlement



www.eurogiro.com

Key issues as identified in BIS/World Bank report

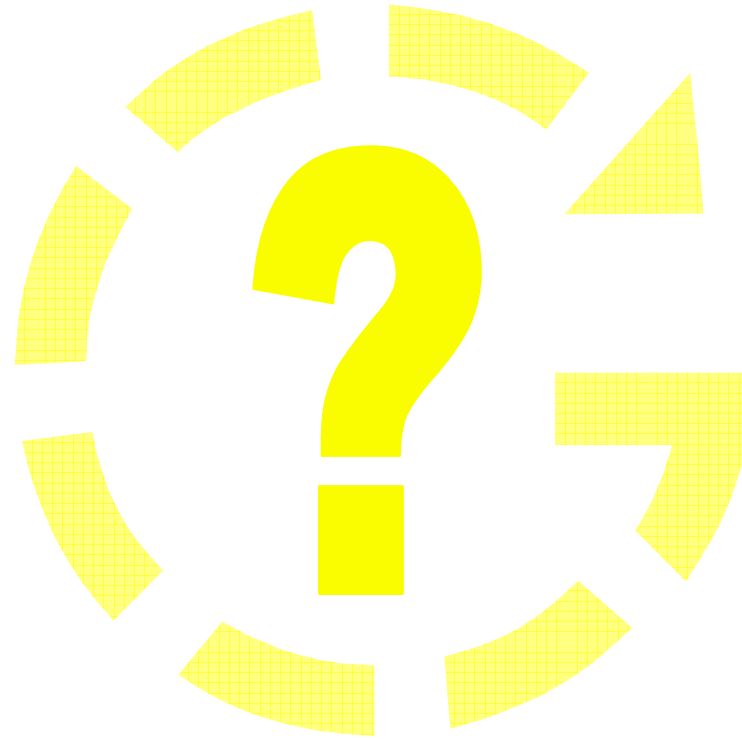
- ✓ General principle 1: Transparency & consumer protection
- ✓ General principle 2: Improved payment systems
- ✓ General principle 3: Regulatory framework
- ✓ General principle 4: Market conditions and access
- ✓ General principle 5: Governance and risk management

Key recommendations

- Harmonised regulation for postal operators with other payment institutions
- Open and fair access to domestic and other infrastructures to payment providers such as postal organisations
- Balanced regulation and compliance standards that are adequate for small amounts to encourage migration to formal channels
- Support existing electronic solutions instead of paper
- Co-ordination OFAC/FATF and support these
- Support common standards as requirements for interoperability and lower costs

Any Questions?

*Get connected
to the future*



 **EUROGIRO**
Consider yourself connected

www.eurogiro.com