



Can Posts and Postbanks meet the challenges?

Postal financial services have been one of the golden eggs in the postal sector. Due to demands for privatisation, increased profitability and increased competition postal financial services are under pressure.

■ The European experience shows us that Postbanks can easily survive and be important market players on cross-border transactions and Postal Financial services by serving the market where they are already holding a key position: Retail payments and payments for Small and Medium sized enterprises.

The European case shows that it is really possible to have success in this area. This success has first of all been built on common projects with a real benefit to all involved organisations.

In most countries Postal organisations or Postbanks combined have the widest distribution network and customer reach of any financial service institution.

A position which constitutes a large potential for product sale.

Postal organisations or Postbanks can not expect to duplicate the role of the global banks and large domestic corporate banks, who will dominate the market, but there is definitely an enormous potential of volume if Postbanks decide to move as niche players and effectively decide to be active on the market for international payments.

European Posts and Postbanks have faced increased pressure to change

During recent decades Postal organisations have changed from being Post & Tele organisations into autonomous Tele and Postal units and in almost all European countries the Postal Financial Services have been separated from the Post and organised as either Postbank divisions or separate companies within the post in order to secure increased independence, responsibility and autonomy.

All this has secured more market orientated postal financial services utilising the strengths of the postal organisations regarding distribution and generally good image. Just as important, the role of the Post/Postbanks to serve the lower end of the market has been maintained.

In some countries the division of the post and the Postbank has lead to 100% privately owned postbanks.

This development has been necessary to secure the survival of these organisations in a highly competitive European financial market. It could be argued that this trend is likely to be duplicated in most regions outside Europe.

Within the area of cross-border payments the experience is that it is important for postal organisations to be able to move quickly and also to be prepared to take up the challenges of new payment channels emerging rapidly on the market.

Building regional payment systems is the way forward

In other parts of the world where the distribution of bank accounts still is limited, the Postal organisations stand a unique chance of utilising this market with the enormous network of post offices and access to customers, especially private individuals but also pension companies, governments etc.

Following the experiences from the forming of Eurogiro, success depends very much on keeping the tasks simple and business oriented. Electronic cross border payments are particularly suited for a regional project. The needs are similar in all countries, it is simple, and costs can be shared between participants. Furthermore approximately 75% of cross-border payments are within regions and only about 25% transregional.

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The Eurogiro network is an international electronic payment network for the postal financial institutions.

The Eurogiro network is the only electronic cross-border payment system which covers both postal and bank products.

Eurogiro has 23 member institutions. Although Western Europe is the core-area, Eurogiro now spans four continents. The electronic payment system of Eurogiro is administered by Eurogiro Network A/S in Copenhagen, which also provides the organisational framework for the further development of the co-operation. The company is owned by 17 European shareholders.

Eurogiro Member institutions:

Austria: P.S.K. AG • Belgium: POSTCHEQUE • Denmark: BG Bank A/S • Finland: Leonia Bank Plc. • France: La Poste • Germany: Deutsche Postbank AG • Iceland: Iceland Post • Ireland: AN-Post • Italy: Poste Italiane S.p.A. • Japan: Postal Savings Bureau • Luxembourg: P & T • Morocco: Office Nationale de Poste • Netherlands: ING Bank N.V. /Postbank N.V. • Norway: POST-BANKEN • Portugal: CTT Correios • Slovakia: Postova Banka • Spain: Argentaria • Sweden: Postgirot Bank • Switzerland: Swiss Post Postfinance • Turkey: General Directorate of Post • United Kingdom: Girobank PLC • USA: The Chase Manhattan Bank, Bankers Trust Company

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To be competitive towards other providers of international payment services, experience indicates that important factors for the clients are transparency in pricing and time scales, competitive pricing, security and speed.

In order to actually create these elements and be able to offer them to the clients, the element of co-operation between the partners of the regional system is essential. An effective co-operation is more likely to be reached with a limited number of participants.

The very reason for the high degree of harmonisation within Eurogiro is the close co-operation which enables Eurogiro to standardise procedures. As an example the Straight Through Ratio in Eurogiro on Giro to Giro transfers is nearly 96%. That means that the cross border payments actually reach the recipient at the promised time without manual handling, thereby also minimising cost in the back office investigating queries from clients etc.

Cross border payments triple in 10 years

1995	Americas	Europe/Africa	Asia/Pac.	Total
Volume (m)	303	853	232	1,386
Value (\$trn)	28.3	82.8	18.9	130
Revenue (\$bn)	4.9	14.0	3.9	22.8

Interregional transactions are approximately 25%.
Intraregional transactions are 75%

2005	Americas	Europe/Africa	Asia/Pac.	Total
Volume (m)	594	2,265	1,193	4,052
Value (\$trn)	57	173	106	336
Revenue (\$bn)	4.6	17.8	7.9	30.2

Intraregional transactions will still account for 75% of the transactions.

(Source: The Boston Consulting Group: Global Payments 1998)

ING succeeds in selling cross-border payments as a single product

By maintaining a close dialogue with regional offices serving middle sized corporate clients and through frequent visits by the product marketing department for international payments to the regional offices, ING Bank managed to increase number of cross-border payments by 10% within a year.

■ The challenges of selling and marketing cross border payments. Why is this so difficult?

It is difficult, because a payment is a “dissatisfier” in marketing terms: Clients tend to forget correctly executed payment orders, but they do complain if something goes wrong. A payment is a product that you can not really make attractive and is as such difficult to market. Therefore you do not really see banks putting a lot of effort into marketing and communication of international payments.

However, ING Bank did against the trend try to market international payments more than is common. The payments in question were labelled in the name of the Dutch Postbank. The target group was corporate customers. The products were made as simple as possible and fixed low fees were introduced. The product was given a name: Eurogiro (payments to EU countries) and Worldgiro (payments to other countries). The objective was to build a brand which is not common with these products.

The communication was extensive with adds in newspapers, direct marketing and training of the staff in regional branches to approach clients with these products. Due to these efforts sales were increased and this resulted in an increase in amounts transferred of 20%.

Also the awareness level of Eurogiro and Worldgiro payments in Netherlands has raised significantly. Now almost every corporate – small, medium and large ones – knows the products.

Consequently it should be possible for the sales staff to agree with customers with a big turnover that a fixed monthly service fee is applied irrespective of the number of transactions actually passed. “This off course gives new accounting challenges to the product department, but the increase in sales has been worth the extra effort in our case” says Laurens Mes from ING Bank.

La Poste and Western Union strengthen their collaboration

■ By the end of 1999, almost 1700 post offices in France will serve as point of sales for the international very urgent cash product of Western Union. The widening of the scope of the agreement will give La Poste the opportunity to enlarge their international business. By the end of 1998, 650 offices of La Poste were offering the Western Union service in France. The increasing demand from customers for this safe and fast service led to an increase in transactions of 328% last year. Thus, more than 250.000 transactions for a global amount of more than 816 m. FRF were made in 1998.

*John Skinner,
Western Union speaking at
the workshop in Limoges*



Eurogiro offers global reach of USD payments.

Global reach of Eurogiro will be the effect as the two new agreements with Chase Manhattan Bank and Bankers Trust Company widen the geographical scope of USD payments.

■ Chase Manhattan Bank became member of Eurogiro in 1995 to fulfill the need for payments to accounts in the US, a service which was not offered by the US Post. The turnover in the cash business through US Post never reached a significant level and US Post left Eurogiro by the end of 1998. This step made it naturally for Eurogiro to find a new US member.

At the same time it was decided to make the coverage global by adding USD payments to countries outside of USA. International US-DOLLAR payment procedures have a unique feature in that the payment (instruction) would normally be sent to the US-DOLLAR account bank instead of to the bank of the receiving customer (which may well be in another country). With this feature in mind, it made sense for Eurogiro to widen the US-DOLLAR services in US to a global US-DOLLAR service for the members. With the new agreements both existing and new Eurogiro members will obtain a global reach on USD cheques and payments to USD accounts. Both Bankers Trust and Chase Manhattan Bank have the global network which allows them to direct payments from Eurogiro members to almost any corner of

Chase Manhattan in Briefs

Chase Manhattan Bank is the third biggest bank in USA. Chase Manhattan Bank has activities in both retail and wholesale business areas and has locations in more than 50 countries. By year end 1998 Chase Manhattan Bank had total assets of USD 366 billion and shareholders equity of USD 23,8 billion.

the world: the only countries not accessible are those subject to legal restrictions from US-authorities .

In many third world countries the domestic currency is either not convertible or it is too unstable for international use. This has meant that international payments to private persons and companies in these countries have to be made in an alternative currency. The economic weight of the USA has given the USD the role as the international reserve currency and the favourite currency in many trades, including the oil business. As a consequence customers with need to transfer money to third world countries often ask for the transfer to be denominated in USD.

The primary products destined for the USA are transfers to accounts and payments to be paid out as cheques. There are considerable differences between the payment markets in the USA and Europe. In USA the cheque has retained its leading position as instrument of

Bankers Trust in Briefs

Bankers Trust holds a seventh position in the US according to total assets and capital. It is a wholesale bank covering a wide range of business areas among which correspondent banking is one of the core businesses. Globally Bankers Trust Company runs USD accounts for approximately 3000 banks world wide and has swift keys with more than 17.000 banks world wide. By year end 1998 Bankers trust had total assets of USD 133 billion and shareholders equity stood at USD 4,8 billion.

WU-Eurogiro opportunities presented to potential agents

Post banks and postal organisations were given a valuable insight into the practicalities of a Western Union co-operation at a workshop in Limoges in France on 14 and 15 April. The workshop which was organised by La Poste, Deutsche Postbank, Eurogiro Network A/S and Western Union was aiming at presenting for potential agents the business opportunities under the Eurogiro – Western Union umbrella agreement. The workshop had participants from eight countries, who were provided with information on organisational and technical issues, including a visit to La Poste's Western Union operations centre in Limoges.

Western Union has locations in 170 countries with more than 50.000 point of sales.

payment. This has led to enormous investments being made in cheque processing facilities. Consequently cheques are widely used for cross border payments into the USA, however the cheque will normally be issued by the USD provider based on an electronic payment instruction by the foreign financial institution.

The new agreements with Chase Manhattan Bank and Bankers Trust offer the other Eurogiro members to outsource their telex key administration and cut the costly procedures in this respect. On a global scale only a very marginal and falling number of payments are sent by telex today and as a communication tool to corporate customers it has virtually vanished. To maintain the telex equipment and especially the cumbersome and often manual telex key administration is a heavy overhead cost for a postal or banking institution only sending telex payments a few times a week. Nevertheless many choose to maintain the telex set-up for the sole reason that telex is the only safe way to reach a minor number of third world banks which are not connected to a modern network. The obvious solution to this problem is outsourcing. By directing their payments to "telex only" banks through Bankers Trust and Chase Manhattan Bank via Eurogiro, the members are able to close their telex operations, without jeopardising their reach. For many banks or postal administrations their reach of "telex only" banks would actually be significantly widened as both Bankers Trust and Chase Manhattan Bank maintain telex authentication keys with nearly all of the "telex only" financial institutions globally.

P & T Luxembourg: A large post in a small country

In spite of the small size of the country, P & T Luxembourg holds an important position among the Eurogiro members, when measured by the volume of transactions via Eurogiro.

■ Luxembourg has for many years had a top ranking in the European Union, when it comes to wealth per capita and success in fighting unemployment. Also from a Eurogiro perspective Luxembourg must be considered a success, with P & T Luxembourg being among the members sending high volume of payments through Eurogiro. Out of 430.000 people living in the Grand Duchy of Luxembourg 34,9% are foreigners. This figure represents the highest percentage in Europe and in addition to the foreigners who work and live in Luxembourg 73.000 persons come to work in the grand duchy from countries around Luxembourg. These two factors partly explain the success of Eurogiro in Luxembourg. Another explanation is the fact that Luxembourg is mostly an import country within Europe. Last but not least, Luxembourg can pride itself of its position as one of the most important financial centres of Europe.

Organisation of cross border payments.

All payments sent directly to CCP, or deposited at one of the 106 post offices in the country are processed the following day

by P&T Luxembourg's Eurogiro department. Six full-time employees and up to nine part-timers are responsible for a smooth running of the service between 6.00 a.m. and 10.00 p.m. Data entries are possible between 8.00 a.m. and 4.00 p.m. Two thirds of the transfer forms are treated by automatic optical reading, whereas the last third has to be treated manually.

The Eurogiro Department is located within the Cheque Department in Luxembourg City. The advantage of such a concentration at one place is that it enables interactivities between transfer section, query department and other services of the Cheque Department.

The fee for cross border payments (1.98 EUR per transaction) is the cheapest within the Luxembourg banking place, and with no fees for incoming transactions, P&T Luxembourg has a very attractive pricing for the customers. Marketing activities are considered a key for success in P&T Luxembourg, and the products are marketed in advertising campaigns in the written press as well as in electronic media. Furthermore

by being present at trade fairs and at similar events, P&T Luxembourg is promoting its products and services towards the corporate customers.

The activities of P&T Luxembourg not only include financial transactions such as Eurogiro, Western Union, Visa and current accounts, but also all aspects of letter post, parcel post and communication services. P&T Luxembourg, which is 100% owned by the state, has 106 post offices in Luxembourg, all of which offer a complete range of products. P&T Luxembourg including the Telecom part employs around 2800 people.

The strategy for the future consists in enhancing the current business branches and creating new activities such as Internet-banking. When it comes to the cross-border payment business P&T Luxembourg can look at the future with confidence as market studies confirm the continued potential for further increase in the number of cross-border transactions.

Target of 98% Reached in Quality Test in March

Early results of the March quality test showed fine quality ratios. The new test introduced on money orders reveals a 98% compliance with the requirement to issue payment instruments the day after receipt in the receiving institute, which is directly on target.

■ Checking the quality of the transactions between the Eurogiro members is a key task in the co-operation, which is performed twice a year, most recently in March 1999. Among the new areas tested in March was the time used to process a Money Order and the compliance with the requirement to issue payment instruments the day after receipt in the receiving bank. The test also shows the time taken to process a money order in the sending bank. Other tests which have been introduced for the March 1999 quality test are the testing of time scale of queries and the testing of use of format for return of payment.

Ms Kaarina Merilinna, Leonia Bank, Finland and Chairman of the Operational Performance Group says: "the concept of testing regularly is as old as the Eurogiro product standards. To us the promise of fixed time scales was a prime sales argument, but it made little sense if we did not follow the performance closely. In the beginning, we

tested the quality of the standard products – the 4 days transfer and the Urgent transfer – twice a year. Later testing of the Straight Through Ratio entered the picture. Quality testing is an ever developing business with us and a top priority at the Eurogiro User Group and the Operational Performance Group".

Customer products at the core of the testing

Eurogiro promised fixed time scales to the customers long before the EU Cross Border Payment Directive so required. The performance according to the promise has been monitored closely. Not so much to beat the marketing drums but to fuel the incentive to improve local quality and to direct attention to the fact that dependence on the quality of other members is enormous. Especially the Urgent Payment is critical. It is a fairly costly product due to its speed and it puts much pressure not in the least on the receiving institution to credit receiving customer on the day of receipt. Therefore, the Urgent Product is monitored regularly twice a year.

Inter bank quality matters more and more

With the ever increasing pressure on prices, the losses due to bad quality in handling have come more and more into focus. Monitoring

of the Straight Through Processing has become a part of the yearly test in November. Results have been very encouraging (stable around 96% for transfers) but are by no means an excuse for leaving things as they are. Eurogiro has developed an "Electronic Verifying Tool" to sort out messages with incomplete account numbers before the transactions are sent. Quality testing is as important as ever and Eurogiro is set to enhance the quality to offer better products at lower costs.



Among the new areas tested in March was the time used to process a Money Order

Postgirot Bank a dominant player in the Swedish payment market.

Postgirot Bank focuses on new services and fully automated processing in their international division, to retain and further expand the banks dominant position in the Swedish payment market.

■ Postgirot Bank, the Eurogiro member in Sweden, is a money transfer and cash management bank and one of the leading Swedish banks for cross-border transactions.

Postgirot Bank provides service for both corporate and private customers, and offers a complete range of services for international payments. Postgirot Bank handles one out of every three payments from Sweden to recipients abroad.

Ms Ulla Regeheim, Head of Payment Services: "The customers today require efficient international payments and extensive reporting facilities, Therefore we try to make the customers' capital more efficient by providing accounts for smooth national and international payment and reporting services, while also offering complementary administrative and financial services - our goal is to have the most satisfied customers in the international payments market."

All international payment orders are centralised and processed in the central computer system at the International Division of Postgirot Bank, which is located in Stockholm.

More than 90% of all international payment orders are channelled via the Eurogiro and SWIFT Networks. The advantage of Eurogiro is that the customer always knows how much a service will cost and how long it will take until the payment reaches the beneficiary's account.

Paper based payment orders are registered by the operational staff. After verification, the transactions are processed automatically and executed by the Eurogiro or SWIFT Networks (in some cases Postgirot Bank also issues Bank Cheques).

Although Sweden does not participate in the EMU from the start, the introduction of the Single European Currency has great influence on Swedish companies and organisations. Many companies with international activities want to use the Euro for payments to their suppliers and also for their own invoicing purposes.

Therefore, approximately 300,000 of Postgirot Bank's corporate customers have been provided with a domestic "Dual Currency Account" since January 1999. The idea is very simple. A Euro pocket is attached onto the existing Postgirot account and the account number is the same. The customer can continue to use the account as before but with the possibility to handle transactions both in SEK and EUR.

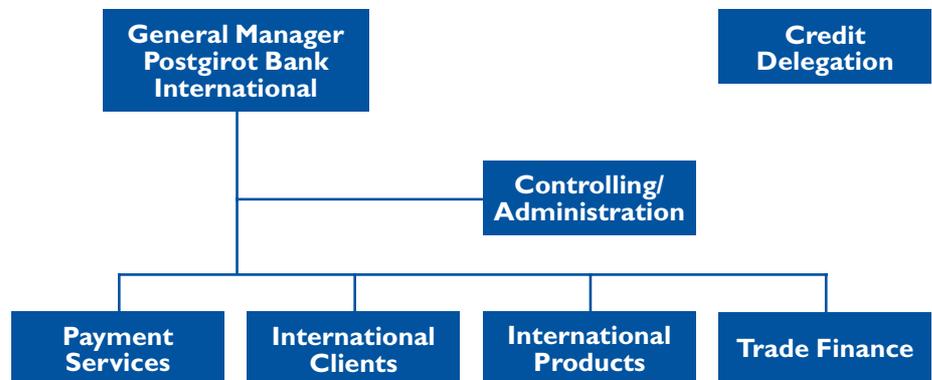
Electronic based payment orders are processed automatically without any manual interference unless the payments need to be repaired for some reason. The repair items are automatically sorted out in a queue and then repaired on the screen.

International Payments ordered from the Post Offices are registered in full by the Post Offices and the captured data are transmitted on-line via the Post Office counter system to the central system of Postgirot Bank, International.

Facts about Postgirot Bank, International

- ◆ Staff: 190 persons
- ◆ 3 million international payments a year
- ◆ Every third international payment from Sweden
- ◆ More than 75% of all corporate transfers are made electronically
- ◆ Foreign exchange dealing in about 40 currencies
- ◆ Trade Finance business with 60 countries
- ◆ 1200 Post Offices offer International payment services (connected on-line)

Postgirot Bank, International



Postgirot Bank AB, which is a public limited company wholly-owned by Posten AB (Sweden Post Ltd), has been in business since 1925. Today the bank is the market leader in payments, serving 95% of all the companies registered in Sweden. With 1.7 million customers and 3,000 employees, Postgirot Bank mediates payments of about SEK 5,000 billion per year.

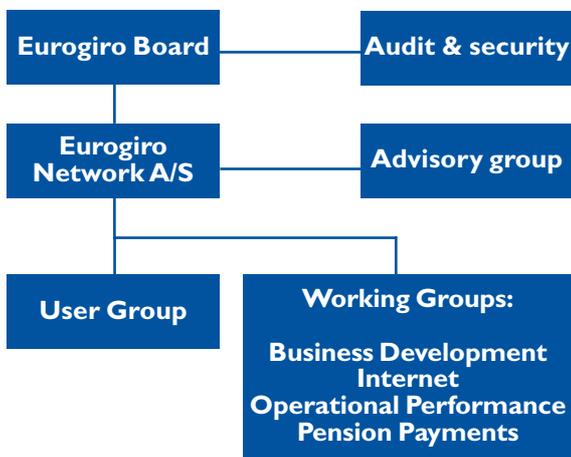
Besides the traditional paperbased services, Postgirot Bank offers many different electronic services, which are designed for everything from mass payments to single financial transactions that must be made at short notice. These PC-based solutions also include a wide range of cash management facilities to suit both large and small companies.



Name of the persons from front left side:
 Ms Ulla Regeheim, Head of Payment Services
 Tuula Sellén, Payment Services - Pension payments
 From the back left side:
 Steffan Mattson, Payment Services - Pension payments
 Stefan Sjösten, Product Manager - Eurogiro & SWIFT

A strong co-operation enables Eurogiro to function with only 8 full-time people

By outsourcing and by using extensive resources from members in various projects, the EUROGIRO company is able to manage far more than a staff of 8 people normally would be able to. In this way Eurogiro has the advantages of a small efficient company combined with the strengths of a multinational organisation.



Eurogiro organisation

The Eurogiro Board consists of 17 members representing the Western European members of Eurogiro. Besides having these 17 shareholders, 6 members are users of the Eurogiro system. Both shareholders and users have the same obligations and rights in relation to the Eurogiro system. The Audit & Security Team monitor the company on behalf of the Board. The User Group meeting is a yearly meeting for all the users of Eurogiro. The Advisory group consists of senior management representatives advising the company on strategic issues.

Advisory Group

Chairman

Mr. Jürg Bucher, Swiss PostFinance, Switzerland

Vice Chairman

Mr. Bjarne Wind, BG Bank, Denmark

Members

Mr. Wolfgang Roiser, P.S.K., Austria

Mr. Max Flury, Swiss PostFinance, Switzerland

Mr. Michael Flötenmeyer, Deutsche Postbank, Germany

Mr. Willem van der Hoek, ING Bank, Netherlands

Mr. Tom Rønning, Postbanken, Norway

Mr. Alan Hughes, Girobank, UK

Mr. Luigi Spina, Poste Italiane, Italy

Managing D. Mr. Henrik Parl, Eurogiro Network A/S

Ms. Annelise Lysdal, Eurogiro Network A/S

Seen as a whole the 17 European members represent about 100 million accounts in excess of 50.000 post or bank branches and several 100 million customers. Under the Eurogiro organisation the members work closely together to find common solutions especially on cross border payments.

Eurogiro Network A/S has the responsibility for managing and developing the Eurogiro system for cross border payments and to coordinate new activities related to international payments but not necessarily to the system.

Audit & Security Group

Chairman

Mr. Arne Lenstrup, BG Bank A/S, Denmark

Members

Mr. Roja Dwarosh, Swiss PostFinance, Switzerland

Mr. Gerald Haumersen, ING Bank, Netherland

Mr. Vidar Myhre, Postbanken, Norway

Mr. Yannick Pain, La Poste, France

Mr. Uwe Holmsgaard, Eurogiro Network I/S

The operation of the system is outsourced to COMPAQ who runs the call centre from Southern France and the Network Management is run by SITA/EQUANT. The application itself is developed in Denmark by DATAMAN who is also responsible for developing the Eurogiro link into the Western Union system. The outsourcing of system operations and development enables Eurogiro to keep the resources in the company to 1-2 persons co-ordinating the activities.

New projects are co-ordinated by Eurogiro, but the project groups consist of representatives from the shareholders. Today there are two permanent groups besides the Audit & Security Group: Operational Performance and the Business Development Team. Both are focused on defining new activities for Eurogiro; Operational Performance with a focus on payment

products and the system and the Business Development Team with a focus on Marketing/PR and ways to increase business.

Besides the permanent groups the Board can set-up ad-hoc groups for specific purposes. An example of this is Eurogiro's Internet project which can also be used to illustrate how new development is handled in Eurogiro. In the first stage a project team with representatives from 5 countries and Eurogiro worked on a feasibility study on e-commerce having regular meetings. After approval a group consisting of 5 representatives from Andersen Consulting and 5 part/full time representatives from member countries have set-up a project team working out of Copenhagen. Eurogiro Network A/S has participated with 1-2 resources in this project.

Operational Performance

Chairman

Ms. Karina Merillina, Leonia Bank, Finland

Members

Ms. Karin Pleyer, Deutsche Postbank, Germany

Mr. Alan Hughes, UK Girobank, UK

Mr. Wolfgang Roiser, P.S.K., Austria

Mr. Annelise Lysdal, Eurogiro Network A/S

The advantages of the above procedure is that Eurogiro very quickly can draw on the best expertise among the vast staff in the member banks and that specialised expertise therefore is not necessarily in the company itself. It also enables Eurogiro to act very quickly towards new opportunities, which is increasingly important in the fast changing payment market. All this creates added value for the members of Eurogiro, advantages that eventually may result in either better products or cheaper services for the customers of the Eurogiro members.

Business Development Team

Chairman

Ms. Nicole Walker, Swiss PostFinance, Switzerland

Members

Ms. Cecile Koops, ING Bank, Netherland

Ms. Susann von Gunten, Deutsche Postbank, Germany

Mr. Stefan Sjösten, Postgirot, Sweden

Mr. Alan Nicholson, Postbanken, Norway

Mr. Henrik Oksholm, Eurogiro Network A/S

Eurogiro is facing up to the EU Cross Border Directive

Longstanding principles of free transfer times, individual pricing policies and best effort pay back practices are challenged vigorously by the directive 97/5/EC from the European Union, which is due to be implemented in August. However, the Eurogiro partners are well placed to face the challenges.

■ Apart from the EURO, only few EU decisions have had impact on the banks in Europe similar to the one of the Cross Border Directive for Credit Transfers. Directive 97/5/EC of EU will have caused more than the ordinary stir in the banking community when it comes into force on 14 August 1999. Especially in the low value, high volume segment where Eurogiro is most active. With the directive's minimum obligations on pre-transfer information, time taken, obligation to execute within agreement and refund in case of non-execution, the customer is much better equipped to pose clear demands to his bank and to compare bank services. Most likely, the press will keep the pot boiling in violation cases for single customers and consumer organisations.

Eurogiro has already covered most of the way

The Eurogiro community has a long record of guaranteed time scales and price transparency so some of the key challenges of the directive have already been met.

Challenges to be faced may more likely occur in the area of sharing risk in case of refund and executing the repair procedures within the set time frame. Eurogiro has responded to these challenges in several ways. Primarily by setting up a Service Level Agreement to be signed by Eurogiro members before August 1999, in which all issues related to the directive are covered. Secondly, the March Eurogiro quality test will provide the partnership with a precise picture of the situation for repairs and thus a good point of departure for amendments. The technical adjustments to the transfer standards have been implemented for quite a while.

All in all the Eurogiro community is well prepared and well positioned to succeed in the tougher environment, but the increasing demands for efficiency and cost cutting will put ever more focus on the Straight Through Processing and the service quality of the members and the network.

Facts: EU Directive for Cross Border Credit Transfers

- ◆ In force in the European Union and the European Economic Area
- ◆ Implementation by 14 August 1999
- ◆ A framework to be worked into the national legislation of member countries
- ◆ Covers credit transfers up till EUR 12.500
- ◆ Includes obligations for banks in the following areas:
 - ◆ Prior information to customer: transfer time, interest and fees, value date policy, exchange rates ...
 - ◆ Information subsequent to transfer: reference, original amount, charges paid, conversion ...
 - ◆ Time frame must be agreed with customer, if not within 5 banking days
 - ◆ Execute within agreement, otherwise subject to refund and interest
 - ◆ Reference: Directive 97/5/EC of the European Parliament and of the Council on Cross-Border Credit Transfers. Published in the Official Journal of the European Communities (L43/25)

Security standards further strengthened by new security policy



*Uwe Holmsgaard
Eurogiro Network A/S:
"The security policy applies to all members, Eurogiro Network A/S and third party suppliers of outsourced components of the system"*

■ Eurogiro wants to maintain a security level that is in accordance with international standards. The overall goal is to maintain the availability, integrity and confidentiality of the exchange of data in the Eurogiro network to protect the system against internal and external threats.

The Board of Eurogiro has the ultimate responsibility for the security policy and the operation of the Eurogiro Systems. The Board of Eurogiro has appointed the Eurogiro Audit and Security Group to ensure that these responsibilities are carried out.

The old security documents have been merged into a single document – The Eurogiro Information Security Policy. The structure of the document has been enhanced to give a clear picture of the scope of the Eurogiro environment and the roles and responsibilities of all parties. The policy applies to all Members, Eurogiro Network A/S and third party suppliers of outsourced components of the system.

Among the more practical things the Information Security Policy set the requirements to physical security, access control, account control, segregation of duties and contingency procedures.

It is essential that all individuals involved in the operation of the Eurogiro Systems are familiar with the Eurogiro Information Security Policy to ensure that it is known and acted upon within their sphere of control and influence. Only by this we can ensure that any security breaches, weakness and errors are reported and responded to as soon as they are detected.

To ensure that all adhere to the provisions of the document the Eurogiro Audit and Security Group requires that the internal audit departments carry out an annual independent evaluation of the compliance. Furthermore the group reserves the right to perform an external audit whenever it is deemed necessary.

First installation in Eastern Central Europe.

■ As the first country in Eastern Central Europe, Postova Banka of the Slovak Republic has now finalised the installation of the Eurogiro system. After becoming a member of Eurogiro, Postova Banka will be able to transform paper based money orders and other transfers into more efficient electronic payments through the Eurogiro system.

A majority of the other East Central European postal organisation and post banks are expected to follow the example of Postova Banka, to become member of Eurogiro during 1999 and 2000.

Eurogiro chooses active Euro Strategy

■ At a meeting in Copenhagen 3-4 March 1999, two of the working groups of Eurogiro got together to discuss new initiatives in products and services in the euro area.

There was a general agreement that European integration and the introduction of the Euro will very strongly influence the payment market in the long run, but also that the short term effects have been limited. The meeting agreed to look actively at designing Euro products and services for specific customer segments and to evaluate present settlement routines.

P.S.K hosts Vienna Conference

■ Vienna was the centre of attention for senior executives of postal banks and organisations of East Central Europe when P.S.K. hosted a conference on Eurogiro and International Transfer Business. The conference which had participants from post banks or post organisations from the Czech Republic, Croatia, Hungary, Poland, Romania and Slovenia was aimed at presenting the opportunities which follows when connecting to the Eurogiro network. Presentations of the governor of the Austrian Central Bank and the EU ambassador to Austria, focussed on the challenges in EU in general and with special attention to the expansion of the EU towards Central Europe

Workshop in Asia

■ Eurogiro was represented at a conference in Bangkok held in the first week of March, 1999 with participants from 13 Asian postal organisations. Mr. Uwe Holmsgaard, Technical Manager in Eurogiro, presented and demonstrated the Eurogiro Solutions. The conference which was organised by the Universal Postal Union, covered the topics of international postal financial services and the prospect for Asian organisations to move more actively into that area of business.

Eurogiro Activity Calendar Summer 1999

26-28 May 1999

Eurogiro User Group Meeting - Dublin

June 1999

*Operational Seminar - Copenhagen
For operational managers and staff in Eurogiro members - focus on straight through processing of cross-border payments.*

Midsummer 1999

Western Union Kick-off Meeting - Italy

August 1999

UPU Congress Beijing



The workshop in Bangkok covered the topic of international postal financial services

Among the subjects covered in the next issue of Eurogiro News appearing in August are:

- ◆ Report from the Eurogiro User group meeting
- ◆ Immigrants in Europe – a growing cross border market segment
- ◆ Report from Eurogiro seminars
- ◆ Portrait of a Eurogiro member

Please forward ideas, comments, articles etc. to:

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