



EUROGIRO

News

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3 / August 1999

Exciting second half of 1999

For the postal world it is certainly true that the environment is changing more and more rapidly. This leads to increasing demands of making management decisions of strategic character.

■ The second half of 1999 offers a lot of opportunities to meet with colleagues in the sector and discuss these developments.

At the UPU congress in Beijing in August/September, Postal Financial Services will be a very important topic, and you will have the possibility to meet with Eurogiro in Beijing as well as other operators in the Postal Financial Services.

Also in the next half year we expect Postal Organisations to position themselves even more aggressively within the market for Cash On Delivery which definitely will be growing with the increased shopping on the internet. You can read more about the Cash On Delivery solution developed by European postal organisations in the magazine.

Structural changes are becoming a normal part of the every day life in many countries. Through the portraits of different Eurogiro members, you can follow the development in some organisations and also how each organisation tries to maximise the benefits of mergers and privatisation plans.

Meetings between members of Eurogiro are important for the continued development of quality and co-operation. Read about a new initiative; seminars in Eurogiro and also about the traditional user Group, which this year was held in Dublin.

The implementation of the alliance with Western Union is now speeding up with eleven out of the present 25 Eurogiro members representing both Western Union and Eurogiro. The benefits and the access this gives to new markets are described more closely inside. Seen on a global view this alliance constitutes by far the world's largest network in terms of locations world wide. We expect this business to show a thrilling growth already in the rest of 1999. Postal organisations are ideally suited to offer the combined Eurogiro and Western Union services through their locations and thereby be an active partner in the market for financial services.

The Eurogiro partners are now able to harvest the benefits of the change of the Eurogiro system from the old TIC system to the new Eurogiro Local System, since the last installation was made in June. The swap is leading to continued efficiency in back office functions, and new possibilities of on-line transactions.

Finally we would like to appeal to our readers; please feel free to contribute to the magazine with ideas for improvement as well as articles.



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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 26 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: POSTBANKEN • Portugal: CTT Correios • Rumania: BancPost, Posta Romana • Slovakia: Postova Banka • Spain: Argentaria, Correos • Sweden: Postgirot Bank • Switzerland: Swiss Post Postfinance • Turkey: General Directorate of Post • United Kingdom: Girobank PLC • USA: The Chase Manhattan Bank, Bankers Trust Company

User Group Meeting

High ratings for the Eurogiro User Group Meeting in Dublin – the feed back from the participants shows that the annual User Group meeting is important and valuable.

■ With 23 member institutions participating, the User group Meeting in Dublin on the 26-28 May 1999 made new record.

The meeting included presentations on the developments in the numerous Eurogiro initiatives started over the last year including internet, new members and status of expansion of the Eurogiro Network to new countries.

From The Operational Performance Group the chairman, Ms. Kaarina Merilinna, Leonia Bank, delivered the status report on the successful conversion to Euro in the beginning of the year and presented the new service level agreement.

Other presentations covered the development in the Western Union agreement and the US Bank expansion were marked by presentations from Chase Manhattan Bank and Bankers Trust.

Well known points from previous User Group Meetings were also part of the agenda. Thus the encouraging results from the recent quality test were presented.

Questions from the participants on the presentations clarified numerous issues and the workshops on 27 & 28 May 1999 which dealt with technical issues, marketing issues and the Western Union link gave an opportunity for in depth discussions and exchange of information between the participants.

The marketing workshop at the Eurogiro User Group Meeting featured ING Bank's Cecile Koops presenting a marketing case on ING Bank's successful campaign for cross border payments.

An Post of Ireland in general and Paddy O'Brien in particular secured as host that the meeting will be long remembered by the participants. As examples the social events included dinner at a 12th century castle and an Irish dance/music show.



Roja Dwarosh Switzerland, and Selma Karakasoglu and Melahat Dogan in discussion.

The User Group meeting is a once-a-year event in the Eurogiro calendar. The meeting is open for all member institutions, shareholders and users alike. The event serves as a debate and information forum where Eurogiro Network A/S and the Eurogiro working groups (The Operational Performance Group, The Business Development Team, Internet Group etc.) can inform the members on the development over the last year. More important however is the feed back from the members to the Eurogiro Network A/S and the working groups which is a rich source of ideas for the future development of the co-operation. Finally the User Group serves as an excellent venue for net-working between people from all the different corners of the Eurogiro co-operation.

Presentations from a great variety of experts, bilateral discussions between members as well as different workshops create a meeting with good variation and dynamics.

Everyone look forward to next years meeting in Luxembourg.



Gerald Haumersen / ING(left) during his presentation on Security Policy issues and Henrik Parl (right) Managing Director of Eurogiro Network A/S.



Alexandre Rodrigues and Carlos Pita from Portugal.

Interview with Mr. Jürg Bucher – Chairman of Eurogiro Network A/S

In his two years as Chairman in Eurogiro Mr. Bucher has focused on creating a clear strategic orientation of Eurogiro as 1) an international payment system, complementary to global systems such as SWIFT and as 2) a platform of cross border co-operation between Post Banks.



Mr. Jürg Bucher: "Be aware of the strengths of Eurogiro and exploit them"

■ The success of Mr. Bucher's efforts shows clearly in a significant increase in volumes, in 8 new users of the system (a 50% increase) and in the successful alliance with Western Union.

Mr. Bucher: "Increased globalisation of payments means that Eurogiro members give increased importance to co-operation on cross border payments and our joint efforts have been stepped up accordingly. An important element is the activity of the company in Copenhagen, where a resourceful, professional, efficient and highly motivated team headed by Mr. Henrik Parl is implementing the Eurogiro plans from its Northern European base"

Mr. Bucher continues: "It has been a great pleasure and challenge for me as Chairman to work with the Board of Directors and numerous other bodies in developing the Eurogiro idea. I would like to express my sincere thanks to all involved."

Mr. Bucher focuses on three areas when asked to specify areas where Eurogiro excell. Firstly, when used as a complement to SWIFT and other clearing systems, Eurogiro is a very cost-effective system (see example). Secondly, The Eurogiro association is an excellent platform for international co-operation among postal organisations. These have similar strengths in all countries (payments focus, strong customer base, wide network of sales outlets) which can be further boosted by joining forces on an international basis. Thirdly, Eurogiro can – on behalf of all members - enter into alliances with international companies and institutions to the advantage of individual members. One such example is the co-operation with Western Union.

On the question of the future of Eurogiro, Mr. Bucher stresses the need for the members to support Eurogiro proactively: "All members of Eurogiro must be even more aware of the strengths of the association and exploit these strengths to a greater degree. New developments in the field of technology, in customer needs and international business must be carefully monitored and proactively addressed and implemented in favour of Eurogiro". Mr. Bucher adds: "The growing number of shareholders and users pose a considerable challenge in terms of flexibility and openness – in addition to that of operating an efficient system - for all members of Eurogiro".

Mr. Jürg Bucher, Swiss PostFinance will step down as Chairman of Eurogiro Network A/S this year after the usual 2 years period as Chairman of the Board.

Eurogiro a competitive alternative to SWIFT for account transfers

The high quality, standardisation and automation are the main reasons why the Eurogiro members can save considerably on costs by using the Eurogiro system for clean account payments, ie. standard payments. Below is shown an example from a medium sized Eurogiro member that is also a member of SWIFT.

Example of average costs per payment in Eurogiro versus SWIFT in EURO

EURO	Production costs	Network costs	Total costs
SWIFT	3,5	0,3	3,8
Eurogiro	1,5	0,2	1,7
Difference	2,0	0,1	2,1

The table shows large savings by using Eurogiro both in direct network cost and more importantly in operational costs of processing the payments, leading to an overall gain of about 2 EURO per transaction.

It must be underlined that Eurogiro must not be seen as an alternative to SWIFT but only as a supplement for commercial banks. SWIFT covers a larger range of products as well as a much larger network of correspondent banks. This naturally leads to lower straight through processing and therefore higher processing costs. But for normal clean payments between Eurogiro members the Eurogiro system creates quite convincing advantages for the members.

The new COD form may be the access ticket to a growing market

As the global implementation by UPU of the new integrated COD form is getting closer, so are the prospects of Postal Organisations to seize the growing market for distance trade.

■ The availability of both postal parcel services and cross border payment capabilities is a condition for offering the Cash On Delivery postal product (COD). With the COD product, sellers of goods can send letters and parcels to receivers knowing that these will be handed out to the receiver only when the receiver pays the accompanying invoice. This invoice has the form of a COD document forming the basis of the payment from the receiver of the letter or parcel to the invoicing originator of the transaction. Based on the traditional UPU rules, the payment side of the COD has for many years been the paper based money order.



The new COD-form

At the UPU congress in Beijing in August 1999, a new form may be adopted which will facilitate the migration of COD payments from paper based money orders to electronic payments. The new COD form contains an extra field aimed at securing that the COD reference number is quoted by the receiving institution when the payment is initiated. Thus the sending institution and ultimately the sending customer will be able to match the payment with the COD invoice originally sent.

This streamlining may give an impetus to the COD product in the servicing of the market for retail trade across borders. A market which is growing strongly due to

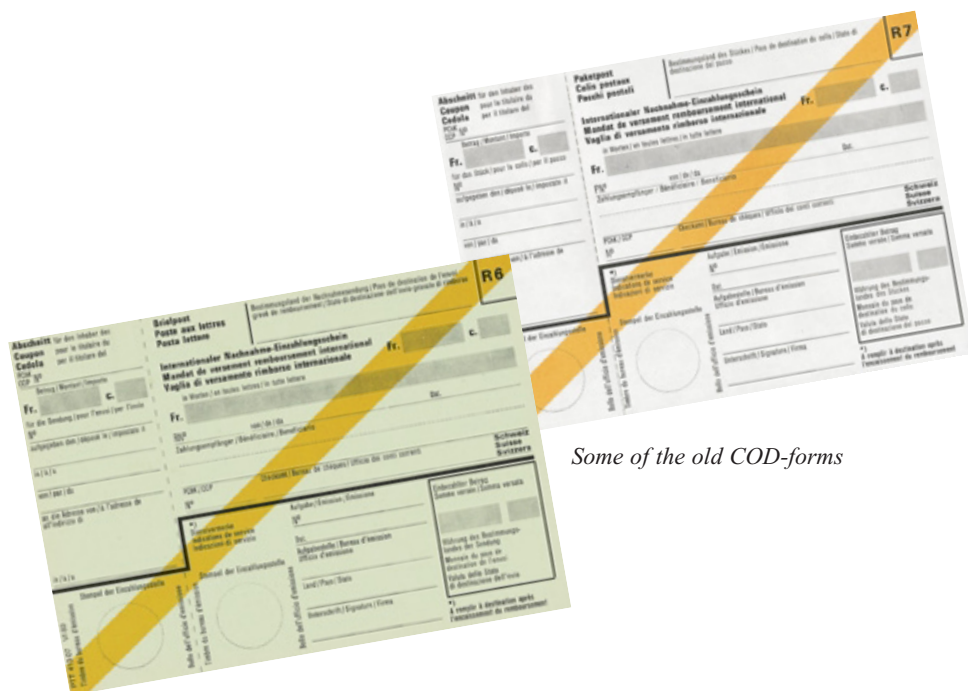
internet and which may be further fuelled by the Euro making price comparisons easier within the Euro zone, where the most transactions are likely to occur.

PTT in Turkey is among the administrations planning to switch to the new form if it is adopted at the UPU congress in Beijing. "We believe the new form will make it easier to handle the COD" says PTT's Selma Karakasoglu "The COD-form represents a logical streamlining of the COD as it reduces four forms to one. Furthermore with the electronic money order in place in an increasing number of Eurogiro countries, we plan to implement COD transactions on the Eurogiro Network as soon as possible."

However, several countries have chosen already to start using the new form and switch to Eurogiro Network for cross border payments of CODs. "In Norway we chose to switch from paper together with Denmark and Sweden" says Postbankens Lars Grindrud "We saw this as an opportunity

to settle daily the Eurogiro way and thus avoid the cumbersome remuneration process once a month. On the other hand in an intermediary period, we had to use the old forms when receiving CODs from other countries. This was acceptable due to the fact that up to 90% of our COD's were exchanged with other Nordic countries. In the Nordic area most COD's are paid to collection accounts held by the sender of the COD in the receiving country and thus it only triggers cross-border payments in a limited number of cases.

Also Switzerland is making progress on this front with agreements up and running with Norway and negotiations on going with Germany, Austria and Italy.



Some of the old COD-forms

Deutsche Postbank and Deutsche Post moves forward

The German Post's acquisition of the shares of Deutsche Postbank has lead to a joint program which aims at bringing forward the banking business and related financial services.

■ With more than 1,5 billion payment transactions a year, Deutsche Postbank is a heavyweight in the German payment market. With Germany's status as the most important economy in Europe and the number one trading partner for most European countries, Deutsche Postbank is also a very important member in Eurogiro.

In the beginning of 1999 the German Post took over the majority of the shares of the German Postbank. The apparent and most visible consequence is the implementation of a joint program „Vorwärtsprogramm“ which aims at looking forward and moving onwards in banking business and the related financial services at the same time. "The joint program will consist of six main projects with 35 project groups which cover all aspects in banking and financial services" says Jens Kümpel from Deutsche Postbank, "Of course this will involve an enormous number of staff members to shoulder this comprehensive enterprise. Some of the results will be implemented on a short term basis, other more complex issues will be accomplished gradually over a two years period of time. Specifically in regard to international payments, we attempt to tailor the same dress for domestic and international products, but the contents must follow the obvious different characteristics."

Also from a technical point of view the infrastructure will remain unchanged. With the existing terminal automation in all the Post locations and the large network of self-service devices only the actual system capability are under review, but not the concept in itself. As an example: During the first half of the next year all international payment transactions will be processed on-line through to the operations centre in Saarbrücken. This actually means that the payment, after it is keyed in at the counter, will find it's paperless way to the beneficiary - provided the international partner is in the payment network, preferably Eurogiro. The advantage related to a Eurogiro payment is truly a monetary aspect. The network fees are slightly lower than S.W.I.F.T. and this enables Deutsche Postbank to promote the payments to international Postbanks, reflecting the fee being 2/3 of the fees on payments to other banks.

The Deutsche Postbank customer always has a universal „Point of Contact“ for all types of payments. The method of execution is not determined at the time of order origination (front office), but in the back office - operations - at the time of routing the cross border payments to the preferred payment network or the printing of a cheque. Therefore the point of

contact - POC - verifies only the existence of the mandatory data which are required to conclude the logical routing of the transaction. In other words a Eurogiro payment can originate from home-banking (e-mail or telephone), Post Office counter, voucher or any other source with an independent network and work flow on it's way to the central processing centre or back office. As far as the incoming payments are concerned the international transactions will then drive on the domestic tracks the remaining way to the beneficiary.

The exclusive processing centre for international payments is in Saarbrücken. The absolute key issue for the assignment of the centralised international production centre, is the concentration of all activities under one roof.

The Eurogiro production line is integrated with the other international payment functions. Including the investigations department nearly 280 persons are employed with international payments.

Quality management is a fundamental issue for Deutsche Postbank. "You must control the quality yourself - waiting for the customers' judgement is inconsiderate" says

Jens Kümpel, "There are two sides to the quality coin: The IT support and the human component. When identifying a weakness, we first determine in which of these main areas the progress and/or adjustment must take place. Is the lack of quality caused by a constant error or an insufficiency in the IT-system, a business specification must be written and given to the IT-support. Is, however, the inadequacy caused by the staff, the reaction is training either on the job or as a seminar".

This training aims at increasing the understanding and add to the motivation, as good understanding of the process or part of a particular process is in itself fundamental for the motivation. "The Eurogiro quality tests are prime examples of a systematic examining of the quality seen with the eyes of the client at the end of the process" says Jens Kümpel, "Examining means learning from the results. If we had the resources, we would be in favour of quality examinations on a broader basis. Thereby learning more from the results, go back to the source with the regulating key, and ultimately receive the encouragement by means of the better results in the future - like it's the case with the Eurogiro quality test."



Deutsche Postbank has acquired the "ACW – ARCIS" Client for Windows system to create an electronic solution for queries.

The benefits of the system for Deutsche Postbank customers are rapid and precise information on the status and even a confirmation of the actual finality of the clients payment order. The actual benefit for all parties is that searching in list and looking up vouchers from micro fiche is eliminated and therefore speeding up the total work flow. "The Postbank will have material benefits from this implementation, as the standardised processing and follow-up mechanism will contribute to a streamlined processing enabling us to close the file sooner and consequently minimise the number of outstanding queries" says Jens Kämpel, Deutsche Postbank "as a matter of fact, the investment and development costs related to the international payments are expected to amortise within eighteen months from the end of the project".

The initial phase has just been started in early July this year, just in time for the introduction of the EU transparency regulations in mid August. This is an important innovation which enables Deutsche Postbank to meet the critical requirements in respect of processing time for claims and investigations, which are part of the customers' legal quality expectation after 14th August. Gradually the documentary management and the communication tools will be improved to the level of creating a working file for the relevant circumstances of the investigation, including the original customer order, accounting information and the execution of the payment order via Eurogiro or any other payment network. The final stage of the project, which will incorporate a sophisticated follow-up administration, is planned to be reached before the end of this year.

The costs of investigations of international transactions are an area of the highest greatest concern for Deutsche Postbank. "If the share of the investigations costs is too high compared to the production costs, then there is no immediate and simple answer to the complicated questions" says Jens Kämpel, "We are confident that the implementation of an on-line data base, with a process orientated communication module, will help us to come to grips with dilemma."

The system is an enhanced archiving system with „write once read multiple“ optical storage capacity and a customised document management in an established data base and combined communication facilities.

The system, which originally came from Siemens-Nixdorf-Information, is now managed by a daughter company of the same company, as far as the actual archiving and straight recovery of transactions are concerned. The communication tools, for the generation of customer correspondence and the creation of query/answer message types in accordance to the S.W.I.F.T. standards, are developed by a sub-contractor - a specialised company - with the commercial input from experienced Postbank staff.

From August 1st 1999 Eurogiro Network A/S has moved into larger offices in:

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Tel. +45 43 71 27 72 • Fax +45 43 71 26 62
e-mail: Eurogiro@Eurogiro.com • Homepage: www. Eurogiro.com**

The new offices are located close to the old office and is only 15 min drive from the airport.

Poste Italiane takes off.

Poste Italiane took a strong step upwards as the Eurogiro traffic figures for May showed the number of outgoing transactions quadrupling.

■ Organisational changes of Poste Italiane and the conversion into a limited company as of 28.2.1998 have caused a change also of the internal division of work. All this have positively affected the definitive use of the Eurogiro System for transfers of money to/from abroad.

Poste Italiane has been a Eurogiro member since 1994 and in terms of transactions received from abroad, Poste Italiane is ranking as the 5th most used destination in the Eurogiro co-operation. The bulk of these transactions are electronic money orders and the rest constitute payments to customers' giro accounts with Poste Italiane.

Since the beginning of the year Poste Italiane took a big step upwards in terms of sending payments through Eurogiro. Electronic money orders from Italy were implemented in Sweden, Switzerland, Norway and The Netherlands and as a result of this implementation the May figures showed a quadrupling of the number of transactions sent.

"All organisational and security problems connected to the Eurogiro process have been solved and when the electronic transfers will start directly from our 14.500 post offices, we expect a further increase in traffic" says Mr. Massimo Arrighetti, General Manager at Poste Italiane "The product offered will satisfy the needs of private as well as business customers as we consider the product to be both safe and quick. Furthermore it is cheap for the customer with the charge being 5 or 10 Euro depending on the amount transferred."

Poste Italiane expects to replace all paper transactions to Eurogiro countries within the present year. More precisely the 75,85% of the whole traffic from Italy to abroad will be changed into electronic orders – that is 68,31% to European countries and 31,69% to non European countries.

On the account side, Poste Italiane is investigating in programs that will allow electronic settlements with banks and financial institutions through the national automated clearing house.

Immigrants in Europe – a growing customer segment

More than 1,4 million Western Union transactions annually to Latin America and Africa bear witness to the large potential for Western Union Money Transfers also to areas which are not normally considered as important destinations for cross-border payments. This is due to the fact that Western Union International, which operates Western Union's activities outside of North America, has discovered a niche market in payments from immigrants who are living and working in Western Europe or North America.

■ Every year an estimated one million new immigrants enter Western Europe from non-European countries. This segment constitutes a rapidly growing market for cross-border payments from Western Europe.

A lot of these immigrants maintain close ties with their families in the countries from which they have emigrated. No total estimates are available, but there is no doubt that significant amounts are transferred each year to the families back home in countries in Latin America, Africa and Asia. In many of these countries bank accounts have traditionally only had a limited penetration into society. This means that traditional banking transfers to accounts have had a limited appeal, just as the health of the banking sector in many of the destination countries has been in the lower end of the scale.



100% growth for WU in Senegal

After only four years with Western Union in Senegal, the country has taken the lead in Western Africa when measured by number of Western Union money transfers.

■ Western Union transactions have been booming in Senegal since the first establishment in Senegal four years ago. In 1997 La Poste in Senegal joined as Western Union agent and a third agent has recently joined. Out of a total of 27 locations in the country La Poste has 12. All the WU offices are located in the main cities in the country. "30 locations may not sound as a lot by Western standards" says Fabrice Borcello, Western Union "but in Western Africa this number gives you a significant presence in a country the size of Senegal"



Western Union supports their three agents in Senegal through regular visits from Paris (3-4 times a year) and through their support centre in Brussels. Furthermore Western Union trains selected local agent employees as so called "designated champions" with the task of developing the Western Union business for the agents.

A large number of Senegalese has immigrated to settle down in the industrialised world particularly in Western Europe. The Western Union Money Transfer originated in Europe comes from a wide number of countries. "France, Italy, Spain and Germany as the main sending countries" explains Fabrice Borcello, Western Union "but the Nordic countries can show some of the strongest growth rates although from a lower level."

The payments are not evenly distributed over the year. The school start in September and October leads to a peak in immigrants remittances to Senegal just as the Christmas – New Years season sees another rise in payments. Senegal being a predominantly Muslim country, receives other large volume

of money transfers during Muslim Ramadan and Tabashi holidays.

Furthermore Senegal is an economic centre in Western Africa and attracts many immigrants itself from neighbouring countries like Guinea, Mauritania, Gambia, Mali and Guinea Bissau. Only Guinea Bissau has no Western Union offices.

Senegal has also gained an important role as a tourist destination, and with tourists being another Western Union core segment this has added to the turnover in the country.

Senegal is situated in Western Africa on the fringes of Sahara. The Northern part is dry and desert like while the southern parts, having more rainfall, are rich in forest. Senegal has 7,5 million inhabitants of which more than 90% are Muslims. The entire Western African Region has 17 countries with an estimated 250 million inhabitants compared with 47 countries in Africa south of Sahara with an estimated population total of 600 million.

Changing from TIC to ELS

Eurogiro open door to on-line processing.

■ In the beginning of June Eurogiro finalised the swap of the local systems in the Eurogiro Network from the old TIC-system to the new ELS system (Eurogiro Local System). A smooth migration plan has been implemented to ensure a controlled migration from TIC to ELS without impact on the production. The swap has successfully been performed country by country since June 1997. The ELS system marks an improvement in the Eurogiro system infrastructure and is prepared to support new network technologies such as Internet.

Compared to the old TIC, the ELS system has several new features such as a manual interface for direct in-keying of transaction data, enhanced security and fully automated transaction processing. The system resources and processing of transactions are monitored from a centre. In case of system



failures, lack of resources or errors in the processing of transactions the operators at the management centre will call and notify the local operators. The ELS has the capability to store the processed

Seppo Lehtonen monitors the installation in Finland

transactions. This allows the staff to make use of the manual interface for automatic generation of Cancellation / Return of payments. The ELS will soon be enhanced to support generation of queries and answers hereto based on the stored transactions.

Most importantly the ELS system has been enhanced for on-line production. An example is the interface to Western Union for urgent cash transfers. When sending money using Western Union the payment is immediately available for the receiver in more than 170 countries.

Postbanken merger in Norway

Building Norway's leading financial services group

■ Late June the shareholders of Den Norske Bank (DnB) and Postbanken agreed to support the proposed merger between the two major Norwegian banks, thereby commencing the process of creating the largest financial services group in Norway, and the 8th largest in the Nordic countries.

The plan to merge the two banks was first announced on March 23, this year, following the agreement between the Boards of Directors of DnB and Postbanken to combine the two banks.

In the period after the initial announcement, the two banks have been conducting business as usual, while awaiting approval by the Norwegian government and support from the shareholders. As the extraordinary general meetings of the two banks agreed to the merger, now all that remains is the final consideration for approval by the Norwegian authorities, expected to be concluded some time between late fall and December this year.

The combination of DnB and Postbanken will create the leading financial services group in Norway, with domestic market shares of 21 percent and 15 percent in retail and corporate banking.

DnB will be the acquiring company of the merger while Postbanken will become an integrated unit of the new DnB group. The brand name: "Postbanken" will continue for the consumer market.

"This is an excellent solution for Postbanken, as it further enhances our identity as a retail bank as well as a supplier of payment services within a larger group. For our customers this will mean access to a wider product range and a more comprehensive distribution network," says Olav Fjell, CEO of Postbanken.

Mr. Olav Fjell will be Deputy Chief Executive Officer in the new financial services group, while Svein Aaser, DnB's current CEO, will continue as Chief Executive Officer.



Olav Fjell, CEO of Postbanken in Norway

Today, DnB is the largest bank in Norway. Its services include retail, commercial, shipping, corporate and investment banking, as well as asset management, life and pension insurance.

Postbanken is Norway's leading retail bank, distributing its services through the post office network, as well as regional service centers, telephone and Internet banking. The bank offers payment services and standardized financial products to retail customers, small and medium-sized companies and public sector entities.

"Payment transaction services constitutes a major area of concentration for Postbanken, and will be continued in the merged

corporation. A new department for payment transaction services will be established. Evlyn Raknerud who manages Postbanken's area of payment transactions today will head the department. The challenging process of planning and coordinating the combined department is starting this fall," Fjell says.

According to the Prospectus for the proposed merger between DnB and Postbanken, annual pre-tax cost savings resulting from this merger is expected to be in excess of NOK 450 million by year-end 2003, in addition to the efficiency programs already being implemented by DnB and Postbanken. The expected cost savings will be achieved primarily through integration of the two organization's common IT solutions and better cost efficiency in providing the products and services distributed by the group. The headcount reduction of approximately 400 man-years arising from the merger will be achieved primarily through attrition and other voluntary measures.

Further, the Prospectus states that customers can expect a more competitive offer of financial services as a result of this merger. The branch and office networks of DnB and Postbanken, together with the 900 post offices all over the country, complement each other well and create a strong distribution network.

*By Marit Fagnastøl Henriksen
Postbank Norway*

June Seminar gave new ideas for improved quality

More direct bilateral contacts on specific problems and points for improvement of the Eurogiro information material were some of the numerous ideas for improvement of payment processing which came up during the June seminar in Copenhagen.

■ The seminar, held on 10-11 June 1999, focused on straight through processing and how to reduce the number of repair items. As the participants from 11 Eurogiro countries gathered in a conference hotel in the beautiful surroundings of Copenhagen, the scene was set for an intensive session which aimed at joining forces to find new ways to further strengthen the Eurogiro quality.

It was an important objective of the seminar to improve personal relations between the Eurogiro members operational staff and promote the exchange of ideas in this area between the member organisations. To emphasise this aspect the seminar was initiated with a welcoming dinner and to further make the point, the coffee was served in the class room, where Tom Cook from FJ-Consulting Group held a pep talk on how to build the positive spirit that promotes co-operation.

The final presentations from the workshops revealed that both technical and organisational initiatives should be considered. On the more general level all workshop groups called attention to the importance of focusing on problems which repeatedly causes manual intervention in an otherwise fully electronic processing. One example could be lack of proper transaction references for automatic reconciliation in the nostro department.

The importance of taking full advantage of the facilities in the ELS system was another conclusion. Lack of implementation of all message types in the Host connection sometimes forces investigation departments to use fax or SWIFT instead of the proper investigation formats on the Eurogiro system. The storage facility and account number verification tools are valuable facilities for the operation departments provided that the respective host interfaces allow them to be used.

Yet another feature was the need for improvements in the Eurogiro information material. Better update on contact persons and a better arranged information handbook could increase use of the information material.

The seminar gave both ideas for immediate use and inspiration for future development of organisation and IT in the co-operation.



Alan Nicholson, Postbanken Norway saying welcome.

The formal seminar programme started on 11 June with presentations on all aspects of the payment process including nostro reconciliation, investigations and global payment solutions.

The afternoon was intended for workshops for the 29 participants in which the inspiration from the seminar could crystallise into concrete ideas to improve processing and investigation quality.



Stefan Sjösten, Postgirot AB, Sweden presenting the possibilities with the Eurogiro system.



Ellen Petersen, BG Bank Denmark going through the Danish procedures for reconciliation.

Seminars in Eurogiro

After the successful Copenhagen seminar, It has been decided to arrange another seminar in October/November 1999. The subject of this seminar will be Sales and Marketing of financial products with the focus on the opportunities offered in the cross-border payment area.

It is the intention to continue to offer approximately two seminars a year with changing agendas. Apart from these invitation seminars where member institutions can send employees to a central venue, it should also be possible for individual member institutions to request a seminar to be held at their own premises with tailor made agendas. By saving hotel and travelling costs such training will allow many more people to participate in these seminars.

Service Level Agreement tightens up procedures

By instituting new rules for the handling of cross-border payments, the Service Level Agreement brings Eurogiro in the forefront in the cross border payment area.

■ The Service Level Agreement has been triggered by EU's Directive for cross border credit transfers which has instituted new rights for the customers including the senders right to have the payment effected within certain time scales or the right to receive compensating interest if these time scales are not complied with. By imposing these obligations on especially the sending institute the rules raise the demand for formalised agreements between the sending and the receiving institute in order to have more clearly defined procedures.

"The Eurogiro partnership was the obvious vehicle for a multilateral agreement which could relieve each member from the burden of doing numerous bilateral agreements" explains Annelise Lysdahl, Product Manager at Eurogiro Network A/S "However, when the task was already at the table, this was taken as an opportunity to boost the general quality of transactions in Eurogiro". One example is that the Eurogiro service level agreement encompasses not only Euro



Annelise Lysdahl, Technical Manager, Eurogiro Network A/S

related payments as in the EU directive, but also payments in other currencies.

The Service Level Agreement supports the individual Eurogiro member's ability to fulfil

its customers rights in terms of request for cancellations, amendments etc. This is the case for the obligation for the receiving institution to respond on a request for cancellation or a query within 3 banking days. Quote of the reference number for the request for cancellation or the query will be mandatory as well.

The SLA has been approved by the board and signed by most members in Eurogiro. Postal Savings Bureau of Japan informed the Eurogiro Board that they cannot sign the Service Level Agreement due to domestic legal restraints but would incorporate the quality issues from the agreement into their bilateral agreements with Eurogiro members. The Eurogiro Board has agreed that services should be provided to Postal Savings Bureau according to bilateral agreements.

New Eurogiro member in Spain

Spain's Correos y Telegrafos will connect to the Eurogiro system to be able to run the electronic money orders directly with the other Eurogiro members. Argentaria will continue to process all Eurogiro account payments in Spain.

■ Correos y Telegrafos, the Postal Authorities of Spain, have a strong focus on financial products and have wished to be able to link directly up with Eurogiro. The agreement, which makes Correos y Telegrafos the 26th member of Eurogiro, was signed on 26th of May 1999. The link between the Eurogiro system and Correos y Telegrafos will be established during September 1999.

"We expect to be ready to send already by the end of 1999" Says Carmen Rodriguez Ares, Finances Director of Correos y Telegrafos "The money order can be delivered at the beneficiary's home or can be paid out at more than 1.775 post offices all over Spain and the Canary Islands. It can also be sent as a cheque directly to the beneficiary."

Correos y Telegrafos, which changed from a government body to a public entity in 1997, had 10.489 offices in Spain and 62.547 employees by the end of 1998.

Argentaria which until now has been the sole Spanish Eurogiro member, will continue to handle the important area of payments to and from accounts both within its own books and with other banks in Spain.

CTT Correios de Portugal signed an agreement with Western Union

■ CTT - CORREIOS DE PORTUGAL signed an agreement with Western Union Financial Services for Money Transfer services. Under this agreement CTT shall receive funds from customers for the transfers to any Western Union location and make payments to recipients of money transfers. CTT will open Western Union services in 70 locations by the end of 1999,

will add 200 locations by the end of next year and 230 locations in 2001. This agreement, under the Eurogiro-Western Union umbrella agreement, will give CTT the opportunity to increase and improve the international business. Please forward any questions you might have to:

CTT Correios de Portugal
Servicos Financeiros Postais
Silvia Correia
Telephone no. 351 318 27 50
Telefax 351 318 28 26

The Moroccan Post signs up with Western Union.

The Moroccan Post has signed under the umbrella contract between Eurogiro Network A/S and Western Union. The deal, which was signed in April 1999, enables Moroccan Post to offer the Western Union money transfer products to its customers and through Eurogiro to send to and receive from Western Unions existing network of 50.000 agents world wide.

The agreement will be implemented over the next couple of months. Already from mid July, the Moroccan Post is expected to offer the Western Union Money Transfer in 50 post offices. Over the summer the number of post offices offering the product will be significantly expanded.

Posta Romana signs up with Eurogiro and Western Union.

Eurogiro has signed up with Posta Romana making the Romanian National postal administration the 25th member of the co-operation.

■ The deal which was signed 25 May 1999 will allow Posta Romana to switch most of its existing money orders from a paper based instrument to an electronic version.

Posta Romana which has 8014 postal office outlets in Romania is devoting much attention to the development of its financial services. The widespread net of postal counters makes it ideally suited for payments of pensions and children's allocation.

Also the international money orders have seen growth over the latest years and with the connection to the Eurogiro network Posta Romana hopes to further strengthen this cross-border payment product. Switching to electronic form with Eurogiro will streamline the production of money orders and allow Posta Romana to take advantage of the development of faster and more efficient services through Eurogiro.

The IT connection will be installed early Fall 1999.

BANC POST signs agreement with Eurogiro and Western Union

As of the 4th of May 1999 BANC POST of Romania has signed an agreement with Eurogiro Network A/S making the Bank the 24th member of the co-operation. By signing the agreement about connection to Eurogiro, BANC POST becomes the second Central/Eastern European post bank after Postova Banka of the Slovak Republic to install the Eurogiro electronic payment system.

■ Simultaneously BANC POST also signed up with Western Union under the Eurogiro - Western Union umbrella agreement allowing Eurogiro members to send and receive Western Union's urgent cash product through the Eurogiro System.

Ever since its establishment in 1991, BANC POST has made itself noticed on the Romanian banking market as the most dynamic and perceptive bank in implementing new banking products and payment systems.

This is why the conclusion of these two important agreements with Eurogiro and Western Union is highly appreciated. BANC POST's strategy focused on the development of retail banking and will be enriched with new prospects to expand the product portfolio with safer and faster payment services and to widen the state of its international business “.

Bankers Trust connected to the Eurogiro Network.

Bankers Trust was connected to Eurogiro network in June just ahead of their internal June 30th deadline for installation of new software in their systems. Bankers Trust expect to send their first message in August 1999.

Eurogiro Activity Calendar 1999 2nd Half year

August/September

UPU Congress in Beijing

October

Western Union/Eurogiro PR and Marketing meeting

20-21 October 1999

Board Meeting

October/November

Sales Marketing Seminar

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

- ◆ Report from UPU Congress in Beijing
- ◆ Theme on payments via cheques
- ◆ Focus on Central Europe

Please forward ideas, comments, articles etc. to:

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