



Western Union and Eurogiro sign new five-year co-operation agreement

Following five years of successful co-operation between Western Union and Eurogiro, the organisations have signed an extension of the agreement for another five years. The agreement provides significant benefits to Western Union agents within the Eurogiro network and access to the Eurogiro member distribution network for Western Union.

The contract now includes:

- A base bonus to existing Eurogiro members that are agents of Western Union
- An incentive bonus to existing members and selected new agents of Western Union
- Transaction fees to Eurogiro and incentives to expand the agent base of Western Union
- Access to Western Union via the Eurogiro system

The past co-operation was an astounding success

■ When Eurogiro and Western Union signed the first contract in 1998, few could predict how huge a success the co-operation would turn out to be. The cash payment business within Eurogiro member organisations was stagnating and the prevailing view in the

market was that the cash market was on the decline compared with banking transfers (credit transfers).

As it turned out, Western Union's urgent cash product 'Will Call', was able to fill a big gap in the market. The opening up of the world markets and the subsequent growth in migration led to a significant increase in the need for money transfers particularly from developed countries to less developed ones. Alternatives are often costly and may involve long delays as traditional infrastructures are not very well developed in many new economies.

Western Union offers a service that quickly, reliably and conveniently transfers funds using the company's proprietary money transfer network. Today you can send a Western Union 'Will Call' from 150,000 agent loca-

The following graph demonstrates the truly amazing development in transaction numbers over the past five years:

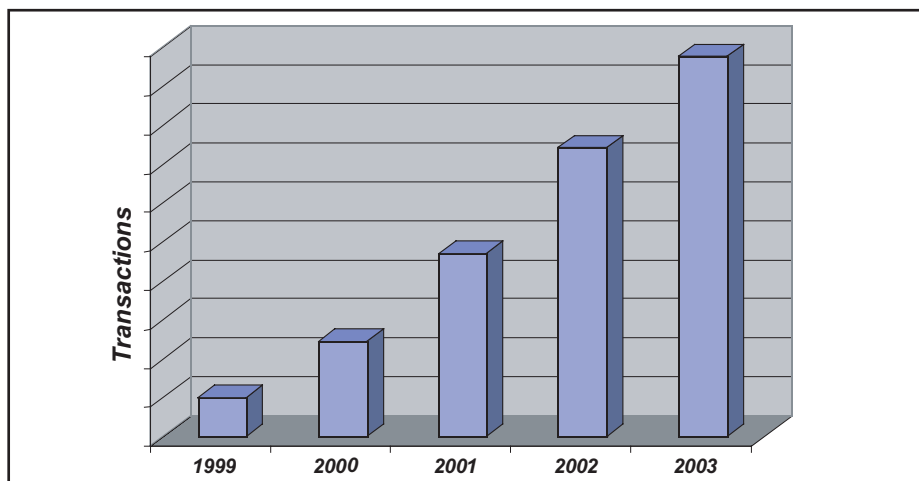


Figure 1: Development in number of Western Union transactions within the Eurogiro community

3 ING Nordic Gateway

4 Eurogiro accepted as administrator of a Closed User Group within SWIFT

5 Connection to Eurogiro via SWIFTNet, how does it work

6 Deutsche Postbank taps new business

7 ESSP migration to Deutsche Postbank conducted successfully

7 Focus on the Asia Pacific Region

8 Western Union on yellownet – a successful innovation

8 UBS collaborates with PostFinance in paper-based payments operations



Eurogiro News is a magazine for the promotion of information, ideas and knowledge within the Eurogiro community.

Eurogiro News is published quarterly by:

Eurogiro Network A/S
 Carl Gustavs Gade 3, 1. tv
 DK- 2630 Taastrup
 Denmark
 Tel.: +45 43 71 27 72
 Fax: +45 43 71 26 62
 e-mail: eurogiro@eurogiro.com

Editor-in-Chief:
 Søren Rose

Subscription enquiries:
 Kai Thygesen, Editor
 Tel.: +45 43 31 12 47
 e-mail: kai@eurogiro.com
 www.eurogiro.com

No part of this publication may be photocopied or otherwise reproduced without the written consent of Eurogiro Network A/S

Printed by: Schultz Grafisk

Although Eurogiro Network A/S has made every effort to ensure the accuracy of this publication, neither it nor any contributor can accept any legal responsibility whatsoever for consequences that may arise from errors or omissions or any opinions or advice given.

Final editing: February 2004
 ISSN: 1727-7450

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

Eurogiro has 39 member institutions. Although Western Europe is the core area, Eurogiro now spans five 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 13 European members.

Eurogiro Member institutions:

Austria: PSK/BAWAG • Belgium: Financial Post • Brazil: Empresa Brasileira de Correios e Telégrafos • Canada: National Bank of Canada • Cape Verde: Correios de Cabo Verde • China: China Post • Croatia: Hrvatska Posta • Czech Republic: CSOB a.s. • Denmark: Sydbank A/S • Finland: Sampo Bank Plc • France: La Poste • Germany: Deutsche Postbank AG • Greece: Hellenic Post • Hungary: Magyar Posta • Iceland: Iceland Post • Ireland: An Post • Israel: Israel Postal Authority • Italy: Poste Italiane • Japan: Japan Post, Postal Savings Business Headquarters • Latvia: Latvia Post • Luxembourg: P & T • Morocco: Barid Al Maghrib • Netherlands: ING Bank N.V./Postbank N.V. • Poland: ING Bank Slaski • Portugal: CTT Correios • Romania: Banc Post and Posta Romana • Senegal: La poste • Slovakia: Postova Banka • Slovenia: Postna banka Slovenije d.d. • Spain: BBVA and Correos y Telegrafos • Switzerland: Swiss Post Postfinance • Togo: Societe des Postes du Togo • Tunisia: La Poste • Turkey: General Directorate of Post • United Kingdom: Alliance & Leicester Commercial Bank Plc. • USA: Deutsche Bank • Serbia & Montenegro: Postal Savings Bank.

Focus on Alliances

In this newsletter we are truly proud to highlight the two newly signed co-operations with Western Union and with SWIFT.

■ The two alliances are in line with the Eurogiro strategy where the vision is to see Eurogiro as a solution and co-operation to link different products, geographical areas, networks and alliance partners. A new five-year agreement with Western Union has been signed with effect as of January 1st 2004. It provides significant benefits to Western Union agents within the Eurogiro network and offers Western Union access to an increased distribution network.

The SWIFT alliance is a technical co-operation where existing and potential SWIFT users within Eurogiro have potential for significant cost savings by joining the Eurogiro Closed User Group on SWITNet.

You will also find news from Deutsche Postbank on the settlement service ESSP and their transaction banking business. PostFinance – Swiss Post has news on a future co-operation with UBS and a status on their Western Union service on yellownet. ING Postbank highlights their full Nordic solution on Eurogiro. Eurogiro has many seminars 1st half of 2004 and one of them will be held in Singapore to put focus on the Asia Pacific region.

We hope you will find the many new developments as exiting as we do and also that the articles convey the unique opportunities for payment institutions. Enjoy your read.



*Søren Rose,
 Editor-in-Chief and
 Deputy Managing
 Director*

C O M M E N T A R Y

tions to more than 190 countries and territories around the world. The cost of the service is very competitive and Western Union's dedication to the success of the 'Will Call' product has ensured that agents and customers benefit from a quality service.

Working together holds numerous benefits for Western Union and Eurogiro members. Western Union is constantly looking to extend its international footprint, and the large distribution networks typical of postal organisations ensure maximum reach for Western Union agents – providing convenience to customers as they only need visit their local post office to send or collect money transfers. The trust and familiarity associated with postal organisations also bring security and comfort to customers when using the Western Union money transfer services. Similarly, Eurogiro members can offer its customers an increased range of services.

In 1998 it became important for postal organisations to improve its services when the old-fashioned 'telegraphic Money Order' needed replacement.

This strong growth is partly due to the increase in urgent cash transactions in the market. However, a big contribution derives from the significant number of new agents within Eurogiro, with whom Western Union has been able to sign agreements after entering into co-operation with Eurogiro. When the co-operation started, only six Eurogiro members were agents of Western Union. As of 1st January 2004, 25 of 39 members are agents of Western Union (see next page).

Value proposition

- Access to send 'Will Call' and other Western Union services to 190 countries and territories
- Working with a worldwide leader in Money



- Transfer services, providing global IT, operational and marketing support to agents
- Fast transfers – often within minutes
- More than 150,000 agent locations
- Replacing existing manually costly Money Orders (especially Telegraphic) with a streamlined product
- Direct access to the Western Union system via the Eurogiro system
- Possibility of on-line counter connections, host solutions and internet solutions via Eurogiro
- Ability to maintain and expand market share as the major postal organisations to a great extent are agents of Western Union
- Access to a customer base from ethnic communities, generating additional revenue streams for other postal products

Great benefits of the new contract

The new contract will enable Eurogiro and Western Union to work on expanding their product range and geographical coverage of ‘Will Call’, and potentially other Western Union products into the long term. Both Eurogiro and Western Union aim to use their strong international platform to further expand and the two organisations share many similarities. Both are aimed at serving retail customers and the low value payments’ segment. Both provide services to ordinary citizens as well as corporations. Finally, both aspire to serve niches in the market with simple and reliable solutions. The two organisations also complement each other greatly. While Eurogiro has the density of its network within Europe and a product range which includes banking payments, Western Union focuses on cash payments on a global basis. The similarities and differences have greatly contributed to our common success.



Henrik Parl, Managing Director Eurogiro Network A/S:

“Western Union’s services, particularly ‘Will Call’ are a unique addition to our product portfolio of other money transfer products such as credit transfers. It provides our members with easy access on a global basis with a product of the highest standards. Speed, quality, cost efficiency and compliance is of critical importance to us, and Western Union provides this.”



Hikmet Ersek, Senior Vice President, Europe, Middle East, Africa and Asia Pacific, Western Union:

“Eurogiro is strategically very important for Western Union, because it provides us with growth opportunities, numerous locations and high quality, while Western Union brings Eurogiro members the ability to provide a truly global money transfer service for its customers. Together Eurogiro and Western Union provides a real alternative to traditional banking transfers.”

Austria P.S.K./BAWAG	Hungary Magyar Posta	Romania Banc Post
Cape Verde Correios De Capo Verde	Ireland An Post	Romania Posta Romana
China China Post	Israel Israel Postal Authority	Senegal La Poste (Senegal)
Croatia Croatian Post	Latvia Latvia Post	Serbia and Montenegro Postal Savings Bank
Czech Republic Ceskoslovenska obchodni banka (CSOB)	Luxemburg P & T Luxembourg	Spain Correos y Telegrafos
Finland Sampo Bank	Morocco La Poste - Barid Al Maghrib	Switzerland PostFinance/Swiss Post
France La Poste	Netherlands ING / Postbank	Togo La Poste, Togo
Germany Deutsche Postbank	Portugal CTT Correios de Portugal	Tunisia La Poste Tunisienne
Greece Hellenic Post		

Figure 2: Western Union agents in Eurogiro

ING Nordic Gateway

ING Amsterdam is pleased to announce that the solution for connectivity to Norway has been extended to Sweden and Finland.

By using the ING ‘Eurogate’ product you can send credit transfers to any of these countries via the Eurogiro network to ING/Postbank Amsterdam. ING will forward the items to Norway, Sweden or Finland without substantial delay and with moderate fees. In the case of ‘OUR cost’ the fee is fully guaranteed (no claims from third parties).

Payments to Norway, Sweden and Finland can be denominated in euro (all countries) as

well as in NOK (Norway) or SEK (Sweden). For payments in NOK or SEK it is necessary to have an account with ING/Postbank Amsterdam. Payments in euro will preferably be settled via the ESSP.

In case you have not yet received ING’s terms and conditions for the Nordic Gateway service, please send an E-mail to ING’s Eurogiro contact person, Ms Marga Derksen (marga.derksen@mail.ing.nl) and she will send you full information. If you are interested in using the service you can also contact Ms. Derksen.

“The gateway to Norway is now operative for a year and the members already using it have expressed their satisfaction with the service”, says Ludger Hoekstra from ING Product Management. “We hope the extension of the service is in the interest of many of our Eurogiro partners. They are now given the

opportunity to keep the Nordic business over the Eurogiro network with a partner they are familiar with.”



Ludger Hoekstra, ING Product Management



Next step in Eurogiro's gateway strategy Eurogiro Closed User Group within SWIFT

With the new agreement with SWIFT, Eurogiro is linking up with the leading banking payment network providing connectivity and cost efficiencies for existing and potential members. With the new agreement the SWIFT and Eurogiro system will be linked and Eurogiro will operate a Closed User Group (CUG) within the SWIFT network.

The co-operation is motivated by cost savings

■ In October 2004 both the SWIFT and Eurogiro Board signed a co-operation agreement to allow Eurogiro to act as an administrator of a CUG within the SWIFT network. The agreement follows several years of discussions within Eurogiro and negotiation between SWIFT and Eurogiro. The project in Eurogiro has been chaired by Max Flury from Swiss PostFinance with contributions from Austria, Finland, Germany, Netherlands and Sweden.

The background of the project was the decision by SWIFT to implement the new SWIFTNet services, which offered existing SWIFT members the ability to exchange files at very low cost. The ability to bulk large number of low value transactions and to maintain own standards using FileAct on SWIFTNet was an interesting innovation which attracted the Eurogiro community.

Secondly, SWIFT members of the Eurogiro community, today have to maintain both an Eurogiro and SWIFT platform. This can be a costly overhead. As all the members of the Eurogiro community increasingly are under pressure to find cost savings, the linking of the SWIFT and Eurogiro systems became a very interesting proposition. This linking would enable SWIFT members of the Eurogiro community to operate only one system platform and at the same time keep all the elements which are so attractive in Eurogiro: Unique products, own standards, high quality, own service levels etc.

In short, Eurogiro and its members have seen the co-operation with SWIFT as an opportunity to lower transmission costs while maintaining the value of the club.

Unique position of Eurogiro within SWIFT

The co-operation agreement allows Eurogiro to act as an administrator of a CUG within SWIFT for FileAct transactions. The CUG allows transactions between SWIFTNet users who are members of Eurogiro and the other non-SWIFT members of Eurogiro using the Eurogiro platform; the ELS. Furthermore, the co-operation agreement allows for the exchange of FileAct transactions between SWIFTNet Users.

This business model will allow the Eurogiro community to continue to pool transactions and Eurogiro to make centralised billing to its community.

The gateway between Eurogiro and SWIFT will be managed by Eurogiro. Eurogiro is

developing a middleware which will enable the members of the CUG to compress files and to optimise the FileAct size to enable the lowest possible unit costs, often lower than most organisations would be able to achieve on their own. See more on this in the article below.

Why the co-operation makes sense

For SWIFT, the business case is clearly based on the potential to have large volumes of payments being transferred on the SWIFT network. For Eurogiro, our motivation has been to assist our members in driving their costs down. The use of the ELS system is not an objective in itself for Eurogiro. However, with the solution agreed with SWIFT, we also secure that Postal members of Eurogiro, which do not have an immediate business case for a SWIFT membership, can continue to use the ELS system the same way as before. Going forward we expect a growing number of Eurogiro users to adopt the SWIFTNet option.

For SWIFT members within Eurogiro, there is an immediate cost saving of only having to use one platform, a yearly cost saving which can easily run into a 6-digit figure in euros when costs of hardware, software, maintenance, operations etc. are added up. For new potential members of Eurogiro, the threshold for entering Eurogiro will be substantially lowered, as they no longer have to invest in dedicated software and hardware. Both new and future banks will be able to maintain all the benefits of the Eurogiro co-operation, but at a significantly lower cost. Furthermore, as the co-operation with SWIFT is expanded to use other SWIFT products and services i.e. InterAct and web-stations, the Eurogiro members will be able to do all types of low value transactions in the CUG and through the gateway.

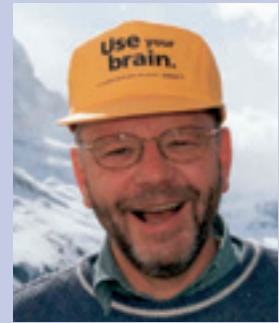
For users of the ELS system, predominantly postal organisations, the agreement with SWIFT opens up a link into the banking world. In the longer term it also opens up an opportunity for these organisations to migrate to the SWIFT network.

Strategic implications

The new co-operation agreement with SWIFT fits very well with the overall Gateway strategy of Eurogiro and with our business objectives:

- With the agreement Eurogiro links into the leading bank payment infrastructure
- We link technical infrastructures to enable cost savings
- We create the basis for substantial growth by making entrance into Eurogiro cheaper and by lowering the costs of transaction exchanges

- Eurogiro is positioned as a very important infrastructure for low value payments on the world market



Max Flury, head of the Eurogiro -SWIFT study group, PostFinance-Swiss Post said:

“Connecting the Eurogiro and the SWIFT networks – a WIN-WIN-WIN project. This is great news! It means WIN for Eurogiro getting a new basis for easier and rapid growth, it means WIN for SWIFT too, bringing additional volume to the SWIFTNET services and – most important – it is WIN for all the Eurogiro members having extended reach, new opportunities and very attractive conditions in the bulk payment business area.”

“There is still a lot to do before the network connection goes live in spring this year, but the project is on track and there will be a lot more information to come throughout this year. Stay tuned”



Harry Newman, Director, Banking Market Infrastructures, SWIFT, said: "The Co-operation Agreement with Eurogiro allows SWIFT Members who are also Eurogiro Members to maximise their investment in SWIFTNet by utilising the 'single window' opportunities. Also they will benefit from significant savings from not having to support two systems at the same time. SWIFT sees this agreement as the beginning of a very fruitful relationship with Eurogiro".

Connection to Eurogiro via SWIFTNet, how does it work?

Eurogiro will setup a hub to connect the Eurogiro network with SWIFTNet. Eurogiro will also develop and support a piece of software to be installed at the SWIFTNet member sites for optimising the exchange of Eurogiro Envelopes via FileAct on SWIFTNet.

■ A co-operation agreement between SWIFT and Eurogiro enables Eurogiro to establish a Closed User Group (CUG) on SWIFTNet. With this agreement the members of Eurogiro can be connected either using the Eurogiro system or via the connection to SWIFTNet. Eurogiro will setup a central hub to connect the Eurogiro network with the Eurogiro CUG on SWIFTNet. At the hub Eurogiro will install the Eurogiro system and the SWIFT Alliance Gateway (SAG / SNL). The communication on SWIFTNet is based on FileAct. As the FileAct allows for any character, content and structure it enables our members to send and receive Eurogiro Envelopes independently of the network connection.

The objectives for a good bulking are:

- No or little impact on sending to and receiving from a Eurogiro member
- No impact on settlement procedures
- Should allow members to gain maximum benefit from Swift pricing
- No significant reduction in processing speed
- EGN should not incur additional liability
- No or little additional costs in the processing

Today many of the Eurogiro Envelopes contain less than 10 transactions. To keep the cost of using FileAct down it is essential to establish principles for bulking and compressing Envelopes both at the central hub and at the SWIFTNet members. For this purpose Eurogiro is developing a middleware (ESM) that interfaces to the SAG.

ESM middleware

The ESM middleware will be developed for general use at the central hub and at the SWIFTNet member sites. The ESM will not make changes or apply any additional data to the Envelopes exchanged.

The general principle for the ESM is to store the Envelopes until a reasonable FileAct size can be achieved. Envelopes will not be stored for an extended period of time. When a cut-off time is reached all Envelopes stored will be forwarded.

The members connected to Eurogiro network will send Envelopes as they do today, addressed to the BIC of the SWIFTNet member. The network will automatically route these Envelopes to the Eurogiro hub. The ESM on the hub will store the Envelopes, sort them by destination SWIFTNet member and then pack them into FileActs to the individual members on SWIFTNet.

The members on SWIFTNet will send Eurogiro Envelopes to the ESM. The ESM will store and pack Envelopes into a FileAct addressed to the BIC address of the Eurogiro hub. The FileAct contains Envelopes to multiple Eurogiro members. The ESM on the hub will unpack the FileAct and forward the Envelopes on the Eurogiro network one by one.

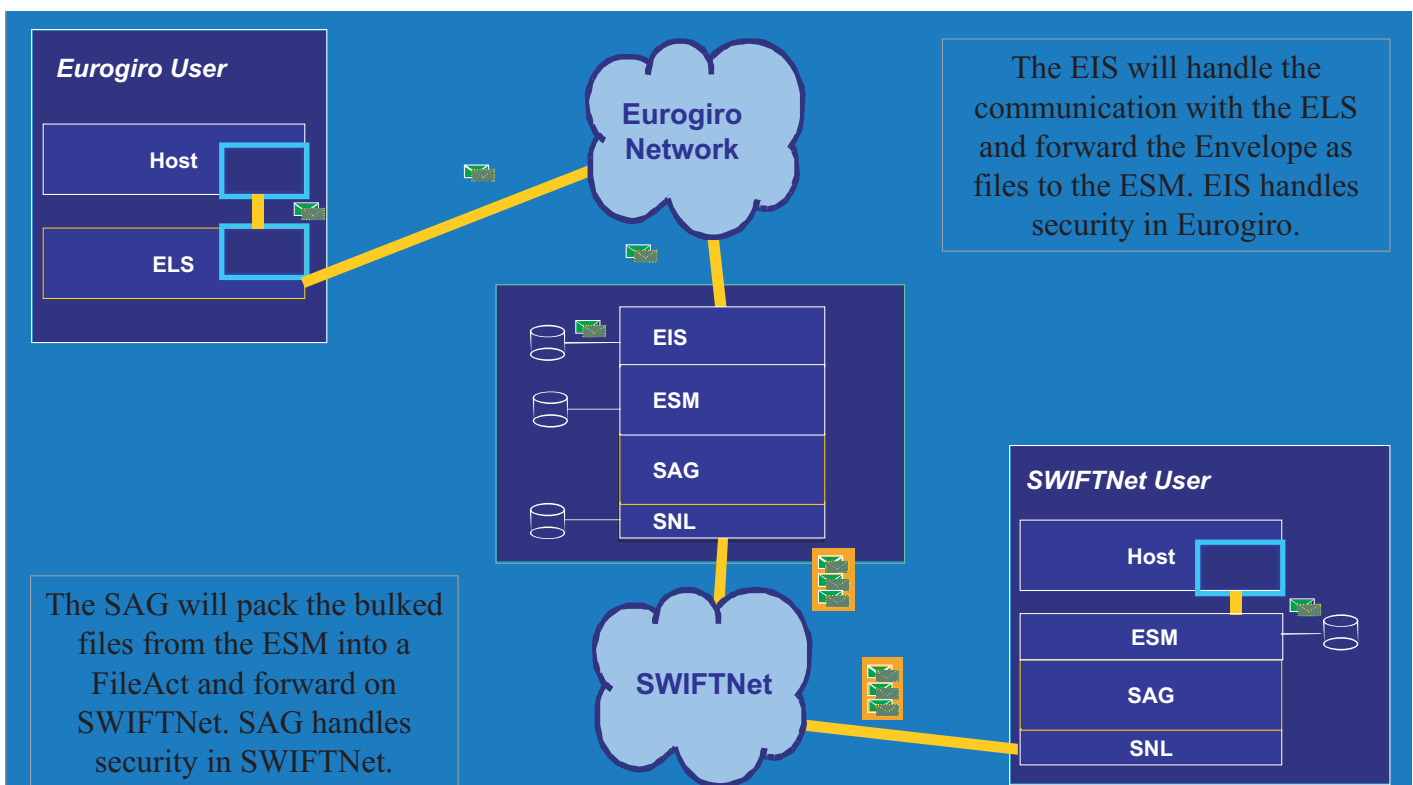
The function of the ESM software will be given parameters to handle cut-off times and special messages that can initiate a transfer. All activities will be logged and a user interface will be available to review the log and to configure the ESM.

Members on SWIFTNet will, as part of the agreement with Eurogiro, receive the ESM. The ESM will, in the initial release, support the platforms supported by SWIFT. The communication to the Host can be FTP, Secure FTP or MQ Series.

With the introduction of ESM, Eurogiro provides our members on SWIFTNet with a cost-effective and seamless implementation of the Eurogiro services independent of the local architecture.



Uwe Holmsgaard, Eurogiro - Director, IT Network Services



Deutsche Postbank taps new business

Transaction banking with a future – interview with Dr. Mario Daberkow



■ *The German banking market suffers from excessive costs in international comparison. Deutsche Postbank is breaking up this structural disadvantage. The new banking software, a joint development with SAP that was successfully introduced with Account Management as a new module in October 2003, represents an element of rigorous efficiency orientation. Postbank thus positions itself in the transaction banking business. This new business division is a key element of Postbank's equity story for its possible public listing. EUROGIRO News talked with Dr. Mario Daberkow, Head of "Organization Development" at Postbank.*

EUROGIRO: Dr. Daberkow, let's start with a question from the perspective of many colleagues within postal organizations. What is transaction banking?

Dr. Daberkow: The traditional view of a bank as a whole is being broken up today. You have to distinguish three central units: the product bank, the sales bank and the transaction bank. Ideally, we compare this classification with an automotive manufacturer. In this model, the product bank is the research and development unit, which designs new cars and handles marketing activities. The sales bank represents the car dealerships which sell the "cars." At Postbank, this is done via all channels, such as the Deutsche Post retail outlets, the Internet, the call centre and the letter.

The transaction bank handles the clearing activities for the banking business. These are the automotive manufacturer's factories. For the customer this means that only the transaction bank turns the virtual product sold by sales, such as the checking account, into a real product. This applies just as much to the opening of an account as to the daily banking business with bank transfers.

EUROGIRO: Together with SAP, Postbank has developed a new, world-leading standard software for banks. What was the basic strategic situation?

Dr. Daberkow: The decision in favour of the SAP project was made three years ago, shortly after the takeover of Postbank by Deutsche Post. At the time, Postbank was working with software that did not fulfill market standards and could no longer be upgraded to meet requirements. Together with SAP, we have eliminated this "dead end".

In addition, the SAP standard software offers us two strategic advantages. Firstly, it allows us to build up a new business division – transaction banking. The SAP software is flexible enough to also fulfill the requirements of other banks. Secondly, a standard solution such as SAP is beneficial because it is continually developed. This frees us from implementing new security regulations or legal requirements.

EUROGIRO: What is so innovative about this software?

Dr. Daberkow: We are now moving on an international standard platform. Banks these days have to work much faster and more cost-efficiently to hold their own in international competition. The SAP software provides the basis for this. We tap high automation effects with a positive customer impact in supporting sales channels and in clearing. At the same time, we can introduce new products or adapt processes in a much shorter space of time than in the past. Our new software saves about 30-50 percent time in such a switch, giving us substantial flexibility and cost advantages. Thanks to the joint project with SAP, we have been able to markedly reduce our clearing costs over the past three years, even ahead of the introduction of the new program. Cost savings in the triple-digit millions quickly amortize our equally high investments in the development and introduction of SAP.

EUROGIRO: Postbank does not secure this lead exclusively for itself to set itself apart from its competitors. Why do you use the new market position in transaction banking to also offer this service to other banks? How good are the prospects of being successful in this market?

Dr. Daberkow: These days, the competitive lead of a bank's processing unit is an advantage that it can hardly use vis-à-vis its customers. No customer today chooses a bank based on the quality of its clearing processes. So marketing this service is not a disadvan-

tage for us. Quite the contrary: We are thus opening up a new business field in the German banking market and for Postbank. We are positioning ourselves with services for savings, cheque and credit accounts as well as the card business. In-sourcing, that is the assumption of these services on behalf of other banks, is a promising market that harbours considerable sales potential. In addition, we are reaping economies of scale through the opportunity for further cost savings that will benefit Postbank's market units. As the biggest retail bank and payment transactions specialist, we are using payment transactions as a first product area for our market entry, and we are already one of the biggest providers of this business in Germany. The fact that Deutsche Bank and Dresdner Bank trust us speaks for itself. Other customers will follow. Naturally, we will also broaden our product range.

EUROGIRO: Bank transactions are always a sensitive matter. But isn't it an even more sensitive matter to be working on behalf of competitors?

Dr. Daberkow: Quality, trust and security are an indispensable foundation for a customer's relationship with his bank. This applies to all of the services that we offer – whether on behalf of our own customers or in transaction banking. We have to fulfill our clearing task quietly and at the highest possible level of quality. In the business relationship in transaction banking we draw a clear line between our services and our own business to ensure that the competitor's data is handled as securely and confidentially as they themselves would handle it. Postbank is credible because it, too, uses all its own transaction banking products.

EUROGIRO: What sort of customer type are you? Do you conduct your banking business via classical transfers or do you use the Internet?

Dr. Daberkow: In this respect, I'm probably every bank's dream customer because I use almost exclusively electronic banking and otherwise hardly draw on the bank's resources. At the same time, I am certainly also a demanding customer because I have high expectations as regards quality, am well-informed because of my own job and only trust credible products. This makes Postbank my bank of choice.



ESSP migration to Deutsche Postbank conducted successfully



Dr Susann von Gunten, Deutsche Postbank's Head of International Relations and Payment Solutions.

■ The ESSP migration from Postgirot/Nordea to Deutsche Postbank has been conducted successfully. As of 2nd February Deutsche Postbank is the new Eurogiro Euro Settlement Service Provider (ESSP). All current ESSP live users have successfully migrated in an orchestrated Big Bang

solution to the new Euro Settlement Service Provider.

The 22 live users of the Euro Settlement Services had opened their new ESSP accounts with Postbank by the end of January. In addition all live users had to change the BIC from Nordea to Postbank's BIC. This was successfully done in a Big Bang. All routing tables of the live users were adjusted in time. The service is up and running smoothly. "We look forward to becoming your Euro Settlement Service Provider and look forward to co-operating with you and Eurogiro", states Dr Susann von Gunten, Deutsche Postbank's Head of International Relations and Payment Solutions.

New Users' Seminar, 2nd March 2004

In connection with the migration from Nordea to Deutsche Postbank, Eurogiro users of the Euro Settlement Service are invited to the headquarters of Deutsche Postbank in Bonn, in order to prepare for the use of the ESSP. The session will cover all aspects of the technical and operational set-up, as well as the contractual issues to support the Eurogiro members in joining this highly efficient Euro Settlement Service. Invitations to persons actively involved with the implementation and use of ESSP are already sent to Eurogiro general contacts



Focus on the Asia Pacific Region

Many postal institutions have decreasing revenues on their traditional business due to increased parcel competition, email, Internet and mobile phones, but there is potential to gain additional revenue by offering financial services.

■ For less developed countries the post office is typically the only accessible point of entry for the general public into communications and financial services, whereby postal savings and remittances have a strong social role. Modernisation of postal financial services and cross border co-operation therefore have high priority in many countries. In Asia there are different types of organisations. In certain countries a State Postal Bureau is organised under the Bureau of Ministry of Posts and Telecommunications. In other countries you see the Post Office Savings Bank as an agency of the Ministry of Finance, operated by the Posts. Another type is whereby the Post act as an agent of the National Savings Bank. Finally a model used is the Postbank as a licensed bank and subsidiary/partner of the post. But no matter the type of set-up, financial services are an increasing and important part of the services offered by the Posts.

Entering the financial services market often involves a financial partner. The Post could let a bank use its branches or set-up a Post

Bank as a joint venture with one or more financial partners. Alternatively the Post could build up the financial services with help from financial consultants with expertise in this field. The Posts have a competitive advantage in their dense branch network, where almost all potential customers can be reached. Maintaining a large national branch network is costly and new services like financial products can prove a good supplement to overcome these fixed costs. The traditional banks often operate with low volume in the high value segment, whereas the Posts have an opportunity for high volume in the low value segment of financial services.

Already more than 90 percent of the Posts in the Asia Pacific region offer financial services to their customers. The main postal financial service offered is the traditional money order, hence there is potential for increased business within the cross-border payments market in the region by offering e.g. two-day electronic Tele Money Orders, credit transfers or urgent cash transfers in addition to the traditional money order. There is a potential for

transactions between the postal financial organisations within the region and with other parts of the world.

The region consists of both strong and less healthy economies, but in both cases focus on potential growth opportunities within the financial services is required. In its strategy Eurogiro has decided to put emphasis on the Asia Pacific countries as they have a very good traffic potential with some of the existing members of Eurogiro or with each other. Eurogiro will therefore host a seminar in Singapore on 4-5 March 2004 with the overall theme: **"Strategy and vision for postal financial institutions in the Asia Pacific"**. The primary objective of the seminar is to give postal financial institutions from Asia Pacific an opportunity to network with other postal financial institutions. In addition, the seminar will enable the participants to meet leading European and global banks.

Sources: "Postal Technology International, December 2003" and "Post-express, 17th December 2003"

Western Union on yellownet – a successful innovation

One year ago PostFinance and Western Union introduced the first online service for worldwide Western Union money transfers for yellownet users.

■ The yellownet PostFinance's online banking solution with more than 450,000 active users (out of 2.5 million account holders). In 2003 the number of users doubled in proportion to 2002. By introducing the Western Union Money Transfer solution to yellownet PostFinance provides additional value to private customers. The growth rate has been surprisingly high and has by far surpassed our expectations.

In 2003, more than 7% of all Western Union Send Money Transactions were done electronically on yellownet. For 2004 we expect a share of more than 16% of the total volume. Apart from having created a genuine unique selling proposition for the Swiss market, the costs generated from yellownet transactions are very low. As a positive side effect, the inquiry and complaint rates are also significantly lower than with counter transactions.

The decision to offer this service at a much lower price than at the counter (up to 60% savings) proved to be the right approach to convert many customers to this new solution.

On reflection it can be said that the decision to adapt a typical counter product to an internet banking solution proved to be an unexpected success story. Thanks to this new service, the whole portfolio of cross-border products has gained a boost of media interest and the value of the PostFinance brand has also increased.



UBS collaborates with PostFinance in paper-based payments operations

From the end of 2005, UBS will collaborate with PostFinance in paper-based payments operations. PostFinance will scan and enter paying-in slips for UBS.

■ The reasons for this initiative lie in the sharp decline in the volume of paper-based payment transactions at UBS since the advent of electronic banking channels such as e-banking and direct debit systems. Today UBS clients already submit some 70% of their payment orders electronically.

This decision gives PostFinance a mark of confidence from one of the world's leading financial institutions.



Activity Calendar Winter & Spring 2004

19 – 20 February 2004

TMO Seminar, Copenhagen

2 March 2004

ESSP Seminar, Bonn

4 – 5 March 2004

Asian Pacific Seminar, Singapore

29 – 30 April 2004

Board Meeting, Rome

10 May 2004

EBPP Seminar, Zurich

26 – 28 May 2004

General User Group Meeting, Liverpool

3 – 4 June 2004

Technical User Group Meeting, Malmö

Subjects to be covered in the next issue:

- ◆ Report from the Asia Seminar
- ◆ Update on the TMO product
- ◆ Transatlantic gateway in operation
- ◆ Eurogiro Board meeting
- ◆ News on Electronic Bill Presentment and Payment

Please forward ideas, comments, articles etc. to:

Eurogiro Network A/S
 Carl Gustavs Gade 3, 1. tv
 DK-2630 Taastrup
 Denmark
 Att.: Kai Thygesen
 e-mail: kai@eurogiro.com



Personnel

We are pleased to announce that as per 5 January 2004 Sif L. Pedersen has started working in the Sales & Marketing department as Project Co-ordinator for Eurogiro Network A/S. Sif L. Pedersen will also be joining the Marketing and PR ad hoc Group.