

Eurogiro News

THE INTERNATIONAL ELECTRONIC PAYMENT CO-OPERATION



Eurogiro-TMO™ live transactions

The Hungarian Post and CTT Correios de Portugal together started their first live Tele Money Order (TMO) transactions on 3 October

CTT Correios de Portugal

On 3rd October the first Eurogiro-TMO™ – Tele Money Order transaction was sent!

CONGRATULATIONS TO ALL INVOLVED, first of all to Eurogiro Network and UPU, the TMO development groups within Eurogiro and UPU, and of course to all of us that put in all the necessary work and effort. Finally a big thank you to Magyar Post who had the “guts” to start!

For CTT Correios de Portugal, and especially for CTT Finança, this was a special occasion. This transaction not only signalled the official conclusion of part one of the TMO – Tele Money



From left: Alberto Bigotte de Almeida, Silvia Correia, Luís Soares Rodrigues, Teresa Caetano, Alexandre Ventura Rodrigues, Rui Sadio

Order development project, but it is seen as an important step towards facing future challenges.

In fact the TMO – Tele Money Order, or TMO – Vale Internacional Electrónico as CTT Finança promotes the product in its branches, is much more than a new product, complementing or completing the actual cash to cash portfolio of CTT Finança.

The TMO is one step towards modernising the paper based Money Order, which we believe TMO will replace in the years to come. It is also the first product not only to cross borders but also to cross networks; thus it will be possible to have a transaction which starts in UPU's Network and is paid out at one of the Eurogiro members, or vice-versa.

For CTT Finança this means that TMO can be easily distributed all over the world within the Postal organisations without any network constraints.

But for this vision of Eurogiro and UPU, and of all of us, to become a reality, part two of the TMO development has to begin and get up to speed.

What this means is that ALL the Eurogiro member communities have to start up as soon as possible for the TMO to have the chance to be one more success story within the Eurogiro, UPU, Postal and Bank Postal community.

Last but not least, what did CTT Finança do, or how did we prepare for the launching of the TMO?

Besides the whole testing and developing process, we prepared CTT Network for the TMO by developing the Counter solution, interface

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Contents | November 2005

- 1 Eurogiro-TMO™ live transactions
- 3 Migrant Remittances have become a focus area for governments, regulators, banks, postal organisations, micro finance institutions and many more
- 4 Posta Romana and Western Union enjoy success with Romania caravan tour
- 5 Eurogiro at SIBOS 2005
- 9 CrossPay goes live
- Paying by mobile phone with a Yellow Account
- 10 BAWAG P.S.K and Eurogiro host a high level conference
- Do not forget the higher amount for EU regulated payments
- 11 ELS version 2 released
- 12 Deutsche Postbank halts phishing





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
www.eurogiro.com

Editor-in-Chief: Søren Rose

Subscription enquiries:
Editor: Hanne S. Bassett
Tel.: +45 43 31 12 51
e-mail: hanne@eurogiro.com

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Final editing: November 2005
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 51 connections in 43 countries. 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 12 European shareholders.

Eurogiro Member institutions:

Afghanistan: Afghanistan International Bank • Austria: P.S.K./BAWAG • Belgium: Financial Post • Bosnia & Herzegovina: Nova Banka • Brazil: Empresa Brasileira de Correios e Telégrafos • Canada: National Bank of Canada • Cape Verde: Correios De Capo Verde • China: China Post • Croatia: Croatian Post • Czech Republic: CSOB a.s. • Denmark: Sydbank A/S • Egypt: Commercial International Bank (Egypt) S.A.E. • France: La Poste • Germany: Deutsche Postbank • Greece: Hellenic Post and EFG Eurobank Ergasias • Hungary: Magyar Posta • Iceland: Iceland Post • Ireland: An Post • Israel: Israel Postal Authority • Italy: Poste Italiane • Japan: Japan Post, Postal Savings Business Headquarters, and American Express Bank • Latvia: Latvia Post • Luxembourg: P & T Luxembourg • Morocco: Banque Centrale Populaire and La Poste – Barid Al Maghrib • Netherlands: ING / Postbank • Poland: ING Bank Slaski • Portugal: CTT Correios de Portugal • Romania: Posta Romana and Banc Post • Senegal: La Poste • Serbia & Montenegro: Postal Savings Bank • Slovakia: Postova Banka • Slovenia: Postna Banka Slovenije • Spain: BBVA and Correos y Telegrafos • Switzerland: PostFinance – Swiss Post • Thailand: Thailand Post • Togo: Societe des Postes du Togo • Tunisia: La Poste • Turkey: PTT General Directorate of Posts • United Kingdom: Alliance & Leicester Commercial Bank plc and Visa Europe • USA: Deutsche Bank

Connected via CrossPay:
Italy: Banca Popolare di Sondrio

Commentary

Expanded Eurogiro member base

In September two new members joined Eurogiro

We are happy to welcome Thailand Post and American Express Bank, becoming the second member in Japan. A more detailed company profile of these two new members will be given in our next issue.

This autumn was very much dominated by our presence at SIBOS and we hope you will enjoy the special pages dedicated to this topic, including a photo cavalcade as well as the article from our sub-club CrossPay writing about the outcome from their attendance at SIBOS and the first live transactions between Swiss Post-Finance and Banca Popolare di Sondrio in Italy.

Furthermore, the first live Tele Money Order (TMO) transaction was exchanged between our members in Hungary and Portugal and they will share with us their experiences on this in a joint article.

Finally, you will find articles about mobile payment, migrant remittances, and much more.

We wish you an enjoyable read !



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

[article from | front page](#)

and simulator. Now each time a customer wants to send a transaction abroad the clerk just has to introduce the destination and amount and the Counter system – the Nave – will tell him what products are available, their pricing and time of delivery. This means we could start from day one with our entire network at the same time, with “online” marketing.

The next step for CTT Finança will be starting with other partners; its next partners should be Cape Verde, Ukraine and Russia.

Magyar Posta in Hungary

In launching the service the following steps were taken: Besides the (HOST) system development, a new TMO form was designed for in- and out payment. Handling instructions were published for postal locations and general conditions for customers, as well as the education



Katalin Varga from Magyar Posta



article from | page 2

of postal operators based on written instructions. Lastly the TMO Service Level Agreement and the bilateral agreement was signed with Portugal.

The TMO is called the “Quick Money Order Service” – and considered as a middle priced product between money orders and the Western Union Service. The Hungarian Post provides

the service to both private and corporate customers. To support the new service, the Hungarian Post designed an internal campaign to increase the awareness of the operators who will offer the service to customers. New information leaflets and posters are to be designed for customers which will be placed at postal locations. In our communication we focus on

the two-day transaction period and the price. The Hungarian Post is also planning a promotion campaign, which will take place when the number of partner organisations has been extended. We are waiting to start with as many countries as possible.

Migrant Remittances have become a focus area for governments, regulators, banks, postal organisations, micro finance institutions and many more

Improved ways for immigrants to send money back home will help alleviate poverty. There are many discussions on remittances, but it is doubtful that traditional financial institutions such as banks all can deliver viable solutions. On the other hand, Postal organisations with their immense network of branches, particularly in rural areas, could be the ideal remittance provider

The market

Migrant remittances are defined as person-to-person money transfers cross border initiated by an immigrant. The market has grown tremendously over many years due to the increased migration trends globally.

The value of (migrant) remittances is between US\$ 150 and 250 billion per year, growing in double-digits every year. Migrant remittances are sent from approximately 180 million migrants of whom 80 percent live in 15 countries, to their dependents, of which 80 percent live in fewer than 25 developing countries. The flow of remittances to the developing world exceeds Overseas Development Assistance (ODA) and in several cases Foreign Direct Investment (FDI). Over 90 percent of remittances are provided by non-banks through agents' networks. The informal channels are estimated to deal with flows amounting to at least 25 to 40 percent of the value. Remittances form more than 500 million small-value transactions per year.

The problem

Some of the overall issues regarding the remittance market are:

- Lack of funds and expertise in developing markets which leads to negative economic effects on macro and micro level
- Limited access to rural areas and support of cash payments and longer term access to financial services (last mile)

- No global remittance concept or standard resulting in lack of interoperability and giving higher costs for service providers
- Large informal market giving compliance issues and lack of statistics
- Lack of business case for financial organisations due to fragmented market

Traditional financial institutions such as banks are in many cases providing some solutions for remittances, but this most often is done in specific high volume corridors. A number of factors make banks in general less than ideal for remittance purposes:

- It is often difficult for immigrants to become banked, especially those who do not have valid papers
- Traditional financial institutions are not generally located in the areas in developed countries where the immigrants live
- Banks have difficulties providing services targeted at the immigrants, i.e. allowing cash payments, supporting foreign languages etc.
- Traditional financial institutions do not generally have the correspondent banking network to support remittances at the receiving end (last mile). Many banks will for instance have their branches in the large cities and not in the rural areas, and in spite of most of the population being unbanked, they often do not support cash pay-outs

The solution

With more than 660,000 postal branches, postal organisations constitute the largest financial retail network in the world. Many of the branches are located in rural areas and in general postal offices are accessible for the whole population. Postal offices also very often support cash services making services possible for the unbanked.

More importantly, postal organisations can make not only remittances but also financial inclusion possible. This means giving citizens in developing countries access to simple financial products such as accounts, savings, cards etc. In Europe we have a number of good examples of how postal organisations can assist in making the population banked. In fact, in most Northern European countries, giro accounts, i.e. the ability to pay bills through an account in a Postbank, was instrumental in making virtually the whole population banked. Why should this proven success not be exported to developing countries? The structural and economic benefits could be enormous. By building the financial infrastructure, the postal organisations would help improve the payment flows to/within a developing country and create the savings base which can be converted into economic growth.

The road to improved payment infrastructures and financial inclusion is, however, not easy.





article from | page 3

Many postal organisations lack funds, expertise, technology, marketing power, institutional framework etc. and for the poorest countries international help is necessary to achieve success.

Eurogiro can be an important element in the solution

Eurogiro has nearly 15 years' experience in remittances and in offering cash and account payment services. Via alliances with Postal organisations, Western Union, Visa, SWIFT and Federal Reserve Bank and via implementation of very low cost technical solutions, Eurogiro

is probably better placed than anyone else to provide broad based remittance services. Eurogiro offers a wide range of choices, especially within cash payments. Eurogiro supports the traditional electronic Money Order (cash/check payment) and has recently developed the Tele Money Order as the new postal standard for cash payments. And Eurogiro has a very successful relationship to Western Union, which is the world leader in 'cash in minutes' and which has extensive relationships with postal organisations, many of these relationships facilitated by Eurogiro.

Eurogiro's key role can be to bring the different players in the market together and create a common standard and a level playing field. This would enable interoperability and help reduce the costs of financial institutions in providing remittance services and not least, it would help create better services to migrants and help improve the financial infrastructure in developing countries.

The postal organisations, and Eurogiro and its partners, can bring something to the table that nobody else can.

Posta Romana and Western Union enjoy success with Romania caravan tour

Western Union and Posta Romana have enjoyed a successful working relationship since they first collaborated to provide money transfer services to Romanian consumers in 1999. Today the service is available in 900 Posta Romana outlets across Romania

This summer Western Union and Posta Romana embarked on a road show tour to increase awareness of Western Union Money Transfer® services offered at Posta Romana outlets. Instead of heading for the tranquillity of the Romanian countryside Western Union pitched their caravan in the middle of bustling cities, 26 in total, between June and July 2005. Posta Romana agents joined the caravan in 7 of the cities that were visited.

The co-branded caravan acted as a travelling entertainment centre bringing an instant festival to the city streets and enthusiastic crowds gathered to listen to music and take part in competitions. The tour reached thousands of people, helping to increase brand awareness of both Western Union and Posta Romana amongst Romanian consumers.

The success of the tour was a result of Western Union and Posta Romana's understanding of their customers and what they enjoy. Radu Tecuceanu, Head of Marketing Department at Posta Romana: 'The tour offered something for everyone. Children enjoyed the balloons and adults enjoyed the excitement of participating in competitions to win prizes. There was a real festival atmosphere that was enjoyed by young and old alike.'

Alexandru Badulescu, Country Director for Romania and Moldova at Western Union said; 'This is the first year we have held a caravan tour with Posta Romana. It has been a pleasure to collaborate with Posta Romana on this project. Posta Romana has a strong link with the local communities in Romania, and together we have been able to strengthen our relationship with our customers within the country.' Western Union and Posta Romana are now working together to raise awareness of the services they offer in rural areas. In October and November, co-branded information posters and leaflets will be distributed in rural communities across Romania, providing information on the location and opening times of Posta Romana branches. In addition local radio stations will help to ensure that even those living in the most remote areas of Romania will be aware of the service.

'Rural Posta Romana outlets offer remote communities a vital lifeline', commented Alexandru Badulescu. 'We want to ensure that rural communities are offered the same service quality and convenience that other customers in big cities have. Due to our partnership with Posta Romana we are able to make it even



Road show tour in Romania

more convenient for Romanian customers to collect money transfers sent from loved ones working abroad.'

This year Posta Romana's integrated market programme, with an emphasis on below the line activities, has helped the post office increase their market share and raise the number of money transfer transactions across their network.

Western Union has 2,000 agent locations in Romania. The company has been operating in Romania since 1996.



Eurogiro at SIBOS 2005

This year's leading forum for the world's financial industry – the SIBOS conference and exhibition arranged by SWIFT – took place in Copenhagen from 5 – 9 September

The Copenhagen venue and the fact that more than 10 Eurogiro members are already, or soon will be, in live production on the SWIFT Eurogiro Closed User Group on SWIFTNet (the SECUG) were excellent reasons for Eurogiro and CrossPay to be present at SIBOS – not only with delegates in attendance, but also with their own shared exhibition stand.

The overall theme for SIBOS 2005 was 'Transformation'. The Eurogiro business strategy of being a solution provider connecting various types of players within the world of payments fits perfectly with this theme.

Enabling banks to connect to Eurogiro from their existing SWIFT system has dramatically lowered the initial investment for banks joining

Eurogiro – and consequently provided the banking industry with a new attractive solution for handling of mass / low value payments.

Numerous meetings with banks and other potential business partners were held during the SIBOS week – many arranged in advance, and many spontaneously arranged during the week – and even a signing with a new member – American Express Bank, Tokyo – took place at the exhibition stand. The Eurogiro Sales and Marketing Team is now busier than ever following up on these new contacts.

Eurogiro also had a Special Interest Session with the theme 'Bridging the gap between SWIFT and non-SWIFT payments' with presentations on connectivity solutions with alliance partners, i.e. SWIFT, The Federal Reserve Bank

of Atlanta and Visa Europe. The session also included a presentation on the CrossPay initiative and CrossPay's potential for major low value payments handlers.

On Tuesday evening Eurogiro hosted a reception in the historical Round Tower building in central Copenhagen. In addition to facilitating networking opportunities for the more than 200 participants, humorous entertainment and the opportunity to enjoy the view of the old part of Copenhagen from the top of the tower added to the success of the reception.

We hope you will enjoy the photo cavalcade.

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The Eurogiro / CrossPay booth – ready to receive the first visitors

Eurogiro at SIBOS 2005



« Meeting with EFG Eurobank, Alexandra Sotirchou-Slater (right) and Jenny Skotidi (left).

» Meeting with CSOB – from left: Pavlina Uhlíkova, Jana Eliasova, Miroslav Seidl – all from CSOB and Kai Thygesen, Eurogiro.



« Signing of the Eurogiro Connection Agreement with American Express Bank, from left: Henrik Parl, Eurogiro ; William J. Blomquist, AEB; Henk Kruidenier, Chairman of Eurogiro and Daniel J. Kreps, AEB.



» Special Interest Session, Rich Oliver from the Federal Reserve Bank of Atlanta (FED) talked about the Transatlantic Gateway solution build by Eurogiro and FED.

» Special Interest Session, David Pryce from SWIFT talked about the Closed User Group solution, and Nicole Walker from Swiss Post, PostFinance presented the CrossPay initiative.



» Special Interest Session, Jonathan Vaux from Visa Europe talked about the Eurogiro – Visa Direct solution.



Eurogiro Reception at The Round Tower



« Stina Lyngsø and Marianne Christensen from Eurogiro welcome the reception guests.

≈ The reception facilities in the Round Tower.



» Networking at the reception, from left: Nicole Walker, Swiss Post, PostFinance; Herbert Legradi, BAWAG P.S.K., Edith Hinker, BAWAG P.S.K. and Jürg Bucher, Swiss Post, PostFinance.



« Focus on entertainers.

≈ At the top of the Round Tower, Jutta Rosar and Jürgen Sauer from Deutsche Postbank.



CrossPay goes live

First transactions exchanged between Swiss PostFinance and Banca Popolare di Sondrio

At the end of August 2005, CrossPay - the club for large volume players - conducted the first transaction exchanges between Swiss PostFinance and Banca Popolare di Sondrio. The stage was set in February 2005, when the Charter was signed and the Governing Council established. The IT departments then pressed ahead with the setting up of an interface to the SWIFT Eurogiro Closed User Group (SECUG). Following a detailed test phase during which "teething troubles" were resolved, Swiss PostFinance and Banca Popolare di Sondrio are now exchanging payment transactions via CrossPay. Other CrossPay members will follow suit later this year. The next milestone will be the imminent exchange of transactions between CrossPay and Eurogiro participants via the Eurogiro gateway, thus effectively bridging the gap between SWIFT and non-SWIFT payments.

SIBOS 2005

Bridging the gap between SWIFT and non-SWIFT payments was the subject of a special interest session at this year's SWIFT SIBOS conference in Copenhagen. At this session, Nicole Walker, Swiss PostFinance representative and Head of the CrossPay Task Force, was one of the presenters. She rendered an interesting presentation entitled "Crosspay, the alliance of cross-border mass payment handlers" in which she emphasized the unique selling propositions of CrossPay: 'Working together in a club-structure makes it possible for all partners of the club to exert their influence on decisions and on the future structure and strategy of CrossPay. And of course there are significant cost saving opportunities for handling cross-border mass payments. The use of well-developed functional rules and standards, as well as the advanced bulking and compressing

principles, are important CrossPay attributes. She closed her speech with the words: 'CrossPay is a lot more than just bridging the banking and the postal world'.

The special interest session was highlighted in an article in the SIBOS in-house magazine with the headline "Eurogiro reaches out through closed user group".

CrossPay used SIBOS as an opportunity to enter into serious discussions with potential members. The spontaneous feedback was gratifying and these initial contacts will be pursued in greater depth in the coming months and the dialogue with candidate members will be continued.



Paying by mobile phone with a Yellow Account

Thanks to PostFinance, shopping with a mobile phone is set to become a reality

In future, mobiles could be used to pay for goods at the point-of-sale. The customer's mobile phone number is scanned at the cash desk by means of a data matrix code. The customer then types in their personal identification number, enabling the balance and transaction limit on their Yellow Account to be checked online. A few seconds later they will receive a text message displaying an alphanumeric code, which can be scanned in to the cash register to complete the purchase. This solution, developed

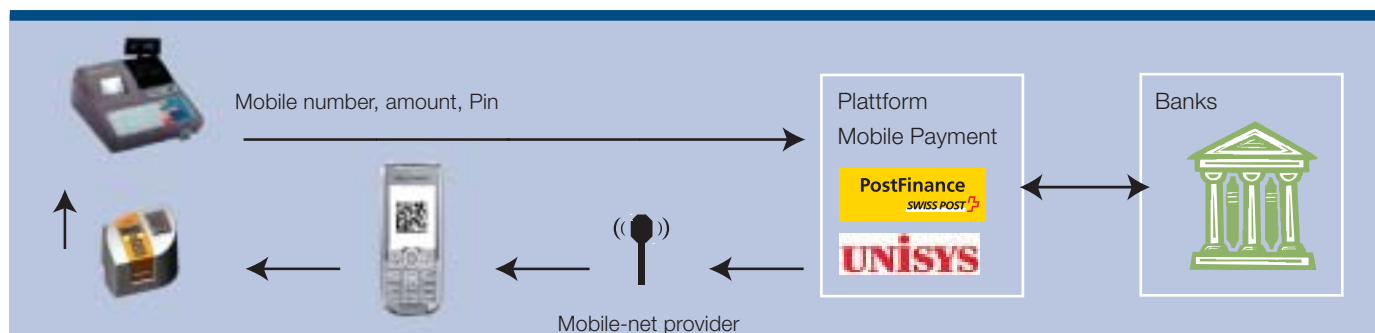
by Unisys Schweiz AG, makes PostFinance the first financial institution to provide a payment option capable of accessing accounts online.

Couponing – a new mode of communication

Shopping with a mobile phone becomes even more attractive when combined with couponing, a new way for businesses to communicate with their clientele. Instead of sending out printed information or an electronic newsletter, com-

panies can generate a text message containing a data matrix code that entitles the recipient to purchase goods at a discount, for example. The code can be scanned at an in-store terminal provided by the merchant and a paper voucher printed. This is then redeemed at the point-of-sale. Mobile couponing is a new and cost-efficient channel for distributing special offers and vouchers. Moreover, it allows customers to be addressed more directly and with

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Parties involved and transaction data flow

article from | page 9

a greater likelihood of response. It is also conceivable that mobile phone users will be able to actively request SMS coupons to be redeemed against the purchase of a specific retail item.

Scope of pilot trial and interim results

PostFinance has been running a pilot trial in the city of Berne since July 2005, intended to demonstrate the technical feasibility of mobile shopping and to test its acceptance among customers. At the end of the trial period, the results will be evaluated and a decision taken on future implementation. The service could be introduced nationwide mid-2006.

The outcome of the pilot scheme so far indicates that the service is technically viable. Talks with the merchants involved and the manufacturers of EFT/POS terminals have confirmed that the payment process can be integrated into payment flows as they stand and into the existing point-of-sale infrastructure.



Roland Greber, Senior Product Manager Card Acquiring, from PostFinance

Outlook

The solution works, no matter what kind of subscription package the financial institution's customer has, and regardless of which mobile phone company they use. Its design will even allow other financial institutions to offer their customers the option of paying by mobile phone directly from their bank account. Based on the pilot scheme, PostFinance will decide whether it will ultimately introduce this service for its customers in the second half of 2006.



BAWAG P.S.K and Eurogiro host a high level conference

The conference will be held on the 2nd and 3rd of February 2006 in Vienna and the overall theme of the conference is 'The EU (payments) challenges and opportunities for CIS and Eastern European financial institutions'

The EU enlargement and the changing payment market have an influence on many of the CIS and Eastern European institutions engaged in financial services. But *how* are these institutions being influenced – both as institutions in new EU countries and in non-EU members doing business with EU members? – and how will the barriers be overcome? – and are there any opportunities hidden in all the new regulation?

These are some of the questions that will be raised by the speakers. The aim is to give the participants an overview of the present and future EU payment challenges. In addition, examples of how to identify/exploit the opportunities and meet the challenges will be given as a way to inspire the participating high level representatives from banks and postal financial institutions.

The conference will feature some interesting speakers from 8 big organisations including Mr.

Hartsink from the European Payment Council, Dr. Duchatczek from the National Bank of Austria, Dr. Nowotny from Vienna University, Mr. Storz from The Boston Consulting Group and Mrs. Kohutikova from the National Bank of Slovakia.

The conference will also be a networking opportunity, enabling the participants to make contact with colleagues from other financial institutions and to exchange their experiences concerning the changing payment landscape.

All Eurogiro members and several banks/postal financial institutions from Eastern Europe and CIS have already been invited.



Do not forget the higher amount for EU regulated payments

As of 1st January 2006

says the chairman of the Eurogiro Operational Performance Group, Karin Pleyer from Deutsche Postbank.

From the beginning of next year, all EUR payments within the EU up to the amount of 50,000 EUR will be regulated by the current EU regulation on Cross Border Payments, in force from December 2001.

This is an increase from the current 12,500 EUR limit and will impact on the charging and handling practice of European members of Eurogiro. It is important that all Eurogiro members, not least the European members, are aware of, and prepared for this deadline.

All are also advised to check with their supervisory authorities as to whether there is also a change in prevailing payment amount limits for reports to the local authorities.



ELS version 2 released

All the deadlines have now been met in the development of the new ELS application (ELS version 2)

10 months after the Design workshop in Copenhagen, we are now releasing the ELS version 2. The ELS application has successfully passed the acceptance test and we have provided initial training for the Help Desk support (ENOC). The acceptance test was performed at Eurogiro on a test network where all the supported platforms were installed. The test was conducted in the presence of the project manager from the software developer, ensuring that any findings were reported and corrected in order to avoid delays in the test process. The testing of the on-line interface to Western Union has been conducted in close co-operation with Western Union and the tests have been performed during on-site visits from both the project manager and the developer from Western Union. Moreover, Western Union has also received a copy of the application in order to perform additional internal testing at their lab in Montvale, USA.

Training sessions in Copenhagen

Immediately following the acceptance test, 2 training sessions were held in Copenhagen. The training was split into 2 parts, one for the ELS System Managers and one for the ELS operators. Since the ELS version 2 is supported on a Windows platform, we could provide a computer system for each 2 participants. The systems were initially installed with a Windows 2003 server. In part 1 the participants installed the required software, eg. Java, Tomcat and PKI, from the ELS distribution CD. The ELS application was then installed using the installation GUI. Part of the installation GUI is the basic configuration of the ELS such as BIC address, network address and basic functions and parameters. In part 2 the ELS operators then configured the application and exchanged messages with 2 preconfigured ELS systems, and with each other. The participants were very satisfied with the new application and were looking forward to performing the migration to the new version within their own organisations. At the end of the training sessions we received a number of confirmations from members that want to participate in the pilot testing. The members can either install the application on their existing test ELS or install it on a separate system with a unique BIC address. Eurogiro



The ELS version 2 can be installed by the member

has established a central gateway with the function of routing messages between ELS version 1.5 and ELS version 2.0 systems.

Improved design

ELS version 2 is based on the same main functionality as ELS version 1.5. However we have made a number of enhancements, such as the use of a browser based user interface, higher security and use of XML definitions for message types and configuration files. The higher security allows for a more secure access to the application, either by the use of certificates or by placing a firewall between the server for the browser (Tomcat) and the ELS.

The members will have a period of 9 months to upgrade from ELS version 1.5 to ELS version 2, or alternatively move to the SECUG solution. All members must have migrated from ELS version 1.5 before July 2006.



ELS: The computer system and application for direct connection to Eurogiro.

GUI: Graphic User interface.

Java: A programming language expressly designed to create portable programs.

PKI: Public Key Infrastructure. Used by ELS for authentication.

SECUG: SWIFT – Eurogiro Closed User Group on SWIFTNet.

Tomcat: A servlet to support access to the ELS using a browser.

XML: A way to describe data in a format readable by both humans and machines.

« The installation and basic configuration is performed via a GUI provided on the distribution CD

Deutsche Postbank halts phishing

Indexed TAN stops fraudsters/Mobile TAN extended/Extensive security package generates improvements

Deutsche Postbank wants to put a stop to Internet fraud. In recent months, wave after wave of criminals have tried to obtain transaction numbers (TAN) from those doing online banking. A stop is to be put to this. As the first large bank, Postbank is introducing the so-called indexed transaction number (iTAN). It has the following advantage. Previously the bank accepted any TAN from the list. As of now, it requires the customer to use a specific TAN. Even if the fraudster obtains this iTAN, it is without value. For the bank computer demands another iTAN the next time an online booking is made. Of course, Postbank customers should still not divulge their data should fraudsters ask them to do so. Banks never request customers to enter personal data on an unsecure site. What is more, Postbank urges the deployment of virus scanners and a firewall, as well as the use of operating system updates to prevent Trojans.

Mobile TAN extended

As of now, the mobile TAN (mTAN), used in the Retail portal "Postbank direct" since 2003, can be used in classical online banking. The mTAN offers a high degree of flexibility and the highest levels of protection against fraudsters. Only when the order is released is the mTAN generated by online banking and sent to the customer via a text message. The mTAN is valid only for the requested transfer and only for a short period. It thus has no value for a fraudster.

Further security functions

What is new is a transfer limit which can be lowered individually. Previously there was a limit of EUR 3000 per transfer. Now each customer can set his or her own limit and change it at any time. New TAN lists which the customer receives by post only apply after activation. In online banking, a TAN for the old list is used to activate the new list. This activation requirement excludes the risk of delivery by post. Also new is the fact that the security status in online banking can be displayed at any time. At one glance, the customer can see when he or she last accessed the account, how many TANs are still available and which services were activated.



How iTAN functions

Previously online banking orders were made on the basis of any TAN from a list of 100 TANs. Now online banking demands a specific TAN from the list, for example, TAN with the number 70. Only this indexed TAN is valid for this transaction. No other TAN works. This foils the phisher's attempts to trick customers with forged e-mails into divulging their TANs. A person attempting to initiate a fraudulent transfer with a stolen TAN is now thwarted by the secure iTAN method.

Successively all online customers are to be automatically sent new TAN lists. With each TAN list a brochure is enclosed explaining the new method in detail. Until the new TAN lists have been sent, the old TAN lists can be used in the normal manner. Those who do not want to wait can request the new TAN lists. To do this, in Online Banking select "Settings", "Order new TAN list". There is no fee for this conversion. This changeover does not impact the customer's online PINs.

Market leader in online banking

With over 12 million customers, total assets of EUR 137 billion and 9,500 employees, Deutsche Postbank is one of the largest retail banks in Germany. More than 2.2 million customers have an online checking account or securities portfolio. According to Nielsen/NetRatings, the Postbank web site is one of the most popular financial sites in Germany.



Activity Calendar Winter – Spring 2006

2 – 3 February 2006
EE and CIS conference in
Vienna, Austria

4 May 2006
Strategic Forum in Dresden,
Germany

5 May 2006
Board Meeting in Dresden,
Germany

7 – 9 June 2006
User Group Meeting in
Pfäffikon, Switzerland

Subjects to be covered in the next issue:

- New Eurogiro members
- Board meeting
- La Poste: Postbank
- Eurogiro status on 2005
- New legal framework for EU payments

Please forward ideas, comments, articles etc. to:

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