

Eurogiro News

THE INTERNATIONAL ELECTRONIC PAYMENT CO-OPERATION



Finance Engineering in Bulgaria

Joined the Eurogiro club in April

Finance Engineering is a leading Bulgarian consultancy company with extensive experience in the field of finance. Their aim is to achieve success in this business by offering a high standard of proficiency and an excellent client approach.

Finance Engineering JSC was incorporated as a joint stock company in August 2002 with share capital of BGN 10.386 mln (EUR 5.310 mln).

Finance Engineering JSC is a company that focuses on expansion; acquiring a highly profitable growth of business and developing a wide spectrum of services, and operating in the following business areas:

- Consulting
- Delivering information services
- Providing management and acquisition of accounts receivables and debt
- Factoring
- Dealing with derivative financial instruments
- Management of companies in liquidation
- Management of companies in liquidation crisis
- Financing trade and industrial companies
- Universal Postal Services – Money Transfers
- Non-Universal Postal Services
- Courier Services

Recently Finance Engineering JSC was granted - **Individual License for provision of the Universal Postal Service - Money Transfers** by the official Bulgarian authorities and became the **First Private Postal Operator in Bulgaria**.

The ambitions of the Company are, within a short period of time, to obtain a majority share of the commercial sector, and also of the financial services sector of the existing market. The future network of the company will comprise more than

1000 Points of Sale.

The expansion of the present project is aimed at introducing to the financial services market of Republic of Bulgaria, a new technology that is different and flexible for the implementation of the Universal Postal Service - Money Transfers. This will combine with a product structure of the services offered, and with high quality and high security during the execution of the entire process under the trademark of **Postfinance**.

It is based on flexible and modern technology. Finance Engineering JSC will process money transfers through its on-line network at a competitive price for a period of 2 to 12 hours.

Other postal services:

- Payment of pensions
- Payment of compensations and unemployment aid
- Payment of social aid
- Payment of bills of: Bulgarian Telecommunication Company (BTC), Mobilitel (GSM operator), Globul (GSM operator), National Electricity Company, Regional Water Supply Companies, Central Heating Companies and other utility services
- Sale of Insurance products

Strategic Goals:

- Specifying the volume of the financial services according to the market evaluation
- Decreasing the cost of the scope of services to suppliers and clients
- High quality of the services offered



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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 59 connections in 49 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.

Commentary

Focus on the Asia Pacific region - and continued growth of the co-operation

In the Asia Pacific region Thailand Post, Korea Post, Philippine Post and ANZ Bank are in the process of implementing Eurogiro – the postal organisations strongly supported by Japan Post. In July XacBank from Mongolia joined Eurogiro. This autumn Eurogiro representatives will attend the WSBI World Congress in Malaysia and the annual SWIFT congress, SIBOS in Australia. During these events a large number of meetings with potential members from the region will be set up to promote and strengthen the Eurogiro presence in the region. In this newsletter 4 additional pages have been dedicated to articles from members in the region.

As well as focussing on the Asia Pacific region, Eurogiro is also welcoming new members from other parts of the world; Canada Post and Albania Post also joined the co-operation in July this year. All three new members will be introduced in the next issue of the Newsletter.

In this issue of the Eurogiro Newsletter we also bring you articles on member organisations, the User Group Meetings, the internal Marketing and Quality Campaign.

Wishing you an enjoyable read!



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

Eurogiro Member institutions:

Afghanistan: Afghanistan International Bank • Albania: Posta Shqiptare sh.a • Australia/New Zealand: ANZ • Austria: BAWAG P.S.K. • Belgium: Financial Post • Bosnia & Herzegovina: Nova Banka • Brazil: Empresa Brasileira de Correios e Telégrafos • Bulgaria: Finance Engineering JSC • Canada: National Bank of Canada and Canada Post Corporation • 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 Banque Postale • Germany: Deutsche Postbank • Greece: Hellenic Post and EFG Eurobank Ergasias • Hungary: Magyar Posta • Iceland: Iceland Post • Ireland: An Post • Israel: Israel Postal Company Ltd • Italy: Poste Italiane • Japan: Japan Post, Postal Savings Business Headquarters and American Express Bank • Latvia: Latvia Post • Luxembourg: EPT Luxembourg • Mongolia: XacBank • Morocco: Banque Centrale Populaire and La Poste - Barid Al Maghrib • Netherlands: ING / Postbank • Philippines: Philippine Postal Corporation • Poland: ING Bank Slaski and Polish Post • Portugal: CTT Correios de Portugal • Romania: Posta Romana and Banc Post • Senegal: Postefinances • Serbia & Montenegro: Postal Savings Bank • Slovakia: Postova Banka • Slovenia: Postna Banka Slovenije • South Korea: Korea Post • 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



article from | [frontpage](#)

Strategic Goals:

- High sales
- Optimizing the selling cost of the products
- Implementation of new products and services
- A profitable and attractive image
- An acceptable return on investment.

The Information Technology

Finance Engineering JSC is using the modern on-line software system developed by Dacoms LTD. The organizational structure of Finance Engineering JSC for implementation of the Postal Money Transfers includes Central

customer office (CCO), Regional and operative offices and representations.

Our advantages:

- Modern up-to-date hardware and network
- Higher speed of data transmission
- Lower cost of the service
- Highest level of security
- Flexibility in execution of the service
- Highly qualified, motivated and professionally trained staff

Our company is offering to its future business partners a flexible and modern technological

service, the highest quality of service and - last but not least – competitive prices.

Our relation with Eurogiro is an opportunity to increase our quality and cost efficiency on a European level in our international money transfer activities.

*Genadi Tabakov - CEO
Finance Engineering JSC*



PostFinance defends leadership position in cross-border payments

One question that always arises for marketing people is: How big is the market we are in? And subsequently: what is my market share?

In order to help answer this question, PostFinance and other major Swiss banks such as UBS, Credit Suisse, the Raiffeisen Group, Bank Co-op and some of the major state owned cantonal banks conduct an annual data collection, where each entity delivers its business volumes for national and cross-border payments. This survey is conducted by the Swiss national bank.

The aim is to get an overview of transaction volumes and how this volume is comprised by exchanging information about cross-border payments such as

- channels that are used for sending (RTGS+, EBA, Target, Correspondent banks and Eurogiro)
- major transmitted currencies (EUR, CHF, USD and GBP)
- source of the payment order (electronic, paper based or counter based)
- information about the origin of the payment (corporate or private customers)

Since the participants of this survey cover

a predominant share of all bank based cross-border payments from Switzerland (the members estimate a market coverage of around 85%), the result gives a clear picture in terms of market share. What is the picture like for last year's result?

No other Swiss financial institute processed more outbound cross-border payments than PostFinance.

This result is not a coincidence at all: since the beginning of this survey in 2001, PostFinance has emerged as a market leader in every single year.

The future looks bright: the market for cross-border transactions in Switzerland has been growing steadily over the last years, with PostFinance having higher growth rates than the market itself.

It is not surprising that the most important currency for cross-border transactions in Switzerland is the Euro. Almost 70% of all transactions of the 4 biggest participants in this survey (PostFinance, UBS, Credit Suisse and the cantonal bank of

Zurich) are processed in Euros. PostFinance is generating almost half of the outbound volume in Euros.

Another key issue is how the payment orders are transmitted by the customer to the participating financial institutions. Reflecting the strong position of electronic banking in Switzerland, more than 75% are electronic payments orders. PostFinance even receives 86% of all payment orders electronically. This means better STP-rates and lower production costs.

The market for inbound transactions to Switzerland appears more static, with a slight decrease in market volume over the last couple of years. Even so, PostFinance achieved a growth in this area and remained the clear number 3 in Switzerland.

PostFinance
SWISS POST

Successful General User Group Meeting

The 2006 General User Group Meeting was hosted by Swiss Post, PostFinance in Pfäffikon SZ

The PostFinance team put a tremendous amount of effort into creating the perfect framework for the annual Eurogiro meeting – and they definitely were successful.

Hotel Seedamm Plaza – situated in Pfäffikon SZ on the edge of Lake Zürich – provided an excellent environment for the variety of activities conducted during the two and a half day assembly. The ‘Clerk of the Weather’ was also very co-operative, facilitating outdoor bilateral discussions.

Close to 100% of the Eurogiro member organisations were represented at the meeting, resulting in more than 100 delegates from more than 40 countries meeting to discuss their business in groups and bilaterally.

Henrik Parl opened the meeting and provided an update on the recent development within Eurogiro, including a presentation on the initial outlined strategy for the years 2007 – 2010. The strategy process is still ongoing and a final strategy proposal will be presented to the Board of Directors at their November 2006 meeting.



Henrik Parl, Managing Director of Eurogiro, opened the meeting

Karin Pleyer, Deutsche Postbank – who is chairing the Operational Performance Group (OPG) provided the meeting with an update on the main tasks with which the group has been dealing. SEPA, EPC, SWIFT, general market development – all very important topics dealt with by the OPG. Fortunately the OPG also found time to deal with Service Level Agreements and other work focused on the quality in payment processing.

Again this year several slots in the program were dedicated for bilateral business discussions between the Eurogiro members. Being able to meet all business partners during this annual meeting is very well perceived by the members, as it is one of the most efficient ways (also cost-wise) to maintain and develop the business relations, to solve outstanding issues and to share best practices.



Bilateral discussions between Austria and Tunisia

In the afternoon on the first and the second day parallel discussion groups with (mostly) bank related topics and (mostly) postal related topics were conducted. For the discussion groups with bank related topics, SEPA and SWIFT matters – and the consequences for Eurogiro – were the main topics discussed, while the implementation of the TMO and other activities to best serve the needs of the remittance market were discussed in the postal discussion groups. Mr. Alexandre Rodrigues, ctt finança Portugal and Mr. Jean-Luc Demierre, PostFinance Swiss Post shared best practices in the TMO implementation process with the group, and it was made very clear that the traditional electronic money order will cease to exist when big sending countries introduce the TMO as their only postal cash product offered to the clients.

Deutsche Postbank presented an update on the Euro Settlement Service (ESSP) and Deutsche Bank presented the new US Dollar Settlement solution (USSP), which will be available not later than 1 October 2006. The USSP will be similar to the well recognised ESSP.

‘External’ partners, e.g. SWIFT, WSBI and Western Union also contributed to the success of the meeting, and on the Friday morning – the last meeting day – Mr. Erich Lanz, Swiss Compensation Office – a customer of PostFinance – shared his view on the payment industry, highlighting the most important points in connection with benefit payments – and also some weak points of the actual available solutions. The Swiss Compensation Office manages the administration of around 700,000 clients receiving benefit payments out of Switzerland to all countries worldwide.

The final agenda item before closing the meeting was the culmination of the internal Marketing and Quality campaign. More details on this can be found on the next pages.

As usual, all participants took pleasure in meeting and discussing business with partners and friends. In addition, all participants very much enjoyed the hospitality and creativity of PostFinance, who hosted the Wednesday evening event. Now all members have become more familiar with Swiss traditions – having taken the aerial cableway to a restaurant in the Alps, meeting ‘Wilhelm Tell’, being entertained with Alp Horn and Cow Bell music and being served with wonderful traditional Swiss food.



Cow bell music

The Eurogiro team has now started to look forward to next year’s General User Group Meeting.



Representatives from the organisations winning the awards. The overview of nominees and award winners per category is given below and on the next page

Eurogiro Quality and Marketing Campaign 2005 - 2006

culminated in a prize ceremony at the General User Group meeting in Pfäffikon

As announced in a previous issue of the Eurogiro Newsletter, a combined Quality and Marketing campaign has been running over the past year, between April 2005 and April 2006, focusing on quality within the Eurogiro community.

Purpose of campaign

The purposes of the campaign were:

- Raise awareness of the Quality work in Eurogiro and underline the commitment to continued quality improvement in Eurogiro
- Celebrate those Eurogiro members who take the lead in improving quality
- Encourage further efforts to be made to enhance quality

The scope for quality test focus has been broadened for the campaign, from mainly focussing on STP and response times for query handling in former times, to looking also at response times for the administrative services members provide to each other, often via Eurogiro Network. However, the philosophy remains the same, namely to create awareness to reduce the time spent on correcting errors or on repeated

requests for information that should be readily available. As always, the belief is that improved quality ultimately results in reduced costs and higher productivity, and adds to the mutual trust on which business relations are built.

Quality performance and results

The test areas chosen for the campaign were those where, for instance, the Operational Performance Group felt improvements could lead to further cost savings. Thus, the timely provision >>>

Overview of the receivers of the awards - chosen by lot among all winners:

6 response time tests:

ELTA Hellenic Post, Greece
National Bank of Canada, Canada
ING/Postbank, Netherlands
Sydbank, Denmark
Croatian Post, Croatia
La Banque Postale, France

STP tests – cash and credit related:

STP credit: EPT Luxembourg, Luxembourg
STP Cash: PTT General Directorate of Posts, Turkey
Special award – most impressive effort to improve IBAN+BIC: Deutsche Postbank, Germany

Query handling tests – cash and credit related:

Query credit related: Financial Post, Belgium
Query cash related: Postova Banka, Slovakia
Special award – best improvement: SwissPost
PostFinance, Switzerland

TMO Service Level Agreement signing:

Magyar Posta, Hungary
CTT Correios, Portugal

Overall winner of all tests – chosen by the following criteria: candidate fulfilling the success criteria in 5 out of 6 response time tests and STP and query tests:
BAWAG P.S.K., Austria



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of updates to joint information bases such as the Eurogiro Information Handbook were added to the already established tests of STP and query handling quality.

The campaign showed that whilst some members are very efficient, there are good reasons to continue to highlight the quality provided in the mutual services in Eurogiro. For instance, the rates for non-manual handling of transactions are very high, between 98-99%. Also, fewer queries are needed to do business, which is another sign of good quality leading to continuous cost reductions. At the same time, too few members live up to the quality requirements to meet the set targets for responding to more administrative and service oriented requests. Eurogiro will give more focus to this in the future.

Celebrating good performance

Eurogiro used the annual User Group meeting to celebrate those members who had fulfilled the criteria in the categories defined in the quality campaign. Whilst each candidate fulfilling the success criteria was celebrated as a winner, for practical reasons Eurogiro had to find one award winner for each test. A draw was made of all response time tests among those who responded in time on requests from Eurogiro on different Eurogiro business matters. As regards the STP and Query handling tests, Eurogiro set down different criteria to qualify as a candidate for the award, namely performance on or above 98% for the STP, and having responded within 3 banking days for all queries for the Query handling. Regarding the TMO Service Level Agreement signing, Eurogiro chose to appoint the 2 first signing organisations. However, Eurogiro would like to take this opportunity to express special congratulations to our members in Cape Verde and Portugal who have already made the first live TMO transactions.

It does not stop here

Beyond this campaign, as part of the standard quality monitoring, Eurogiro is also conducting quality tests on STP and query handling twice a year and organising quality seminars on a regular basis in order to create a forum for quality discussions and improvements among Eurogiro members. The next quality seminar will take place in September 2006 in Munich at the Deutsche Postbank's site. This seminar will target general quality improvements, as well as creating a network among the Eurogiro quality officers.

The winners in each test were:

Response time tests:

BAWAG P.S.K., Austria
 Financial Post, Belgium
 Empresa Brasileira de Correios e Telégrafos, Brazil
 National Bank of Canada, Canada
 Cape Verde Post, Cape Verde
 Croatian Post, Croatia
 CSOB, Czech Republic
 Sydbank, Denmark
 La Banque Postale, France
 Deutsche Postbank, Germany
 ELTA Hellenic Post, Greece
 EFG Eurobank, Greece
 Magyar Posta, Hungary
 Póstgíró, Iceland
 An Post, Ireland
 Israel Postal Company, Israel
 Banca Popolare di Sondrio, Italy
 Poste Italiane, Italy
 Japan Post, Japan
 American Express Bank, Japan
 Latvia Post, Latvia
 EPT Luxembourg, Luxembourg
 ING/Postbank, Netherlands
 ING Bank Slaski, Poland
 CTT Correios, Portugal
 Posta Romana, Romania
 Banc Post, Romania
 Postal Savings Bank, Serbia & Montenegro
 Postova Banka, Slovakia
 Postna Banka, Slovenia
 BBVA, Spain
 Korea Post, South Korea
 SwissPost, PostFinance, Switzerland
 Thailand Post, Thailand
 Société des Postes, Togo
 PTT General Directorate of Posts, Turkey
 Alliance & Leicester Commercial Bank, UK
 Deutsche Bank, US

TMO Service Level Agreement signing test:

ANZ Bank, Australia
 Finance Engineering JSC, Bulgaria
 Cape Verde Post, Cape Verde
 Magyar Posta, Hungary
 Latvia Post, Latvia
 PhilPost, Philippines
 Polish Post, Poland
 CTT Correios, Portugal
 Posta Romana, Romania
 Korea Post, South Korea
 Thailand Post

The winners in each test were:

STP tests - cash and credit related:

BAWAG P.S.K., Austria
 Financial Post, Belgium
 National Bank of Canada, Canada
 Cape Verde Post, Cape Verde
 CSOB, Czech Republic
 Sydbank, Denmark
 La Banque Postale, France
 Deutsche Postbank, Germany
 Magyar Posta, Hungary
 Póstgíró, Iceland
 Poste Italiane, Italy
 An Post, Ireland
 Japan Post, Japan
 EPT Luxembourg, Luxembourg
 ING/Postbank, Netherlands
 Posta Romana, Romania
 Postova Banka, Slovakia
 Postna Banka, Slovenia
 BBVA, Spain
 Correos y Telégrafos, Spain
 SwissPost, PostFinance, Switzerland
 La Poste, Tunisia
 PTT General Directorate of Posts, Turkey
 Alliance & Leicester Commercial Bank, UK

Query handling tests - cash and credit related:

BAWAG P.S.K., Austria
 Financial Post, Belgium
 Empresa Brasileira de Correios e Telégrafos, Brazil
 Croatian Post, Croatia
 CSOB, Czech Republic
 Sydbank, Denmark
 La Banque Postale, France
 ELTA Hellenic Post, Greece
 Magyar Posta, Hungary
 Poste Italiane, Italy
 Japan Post, Japan
 EPT Luxembourg, Luxembourg
 CTT Correios, Portugal
 Postal Savings Bank, Serbia & Montenegro
 Postova Banka, Slovakia
 Postna Banka, Slovenia
 BBVA, Spain
 SwissPost, PostFinance, Switzerland
 PTT General Directorate of Posts, Turkey
 Deutsche Bank, US

Annual Technical User Group

The meeting, held on 22-24 May in Prague, focused on the new versions of the ELS and ESM

The Technical User Group is the annual member forum where IT personnel responsible for Eurogiro implementation meet and exchange ideas. Offering such a forum whereby IT colleagues can meet is perceived by the members as being very valuable, as it is a good opportunity to influence the services provided by Eurogiro and to share best practice.

The first day was dedicated to the ELS version 2. ELS version 2 is a completely new development and, as such, requires careful planning by our members of the migration from the existing ELS. With the new version our members have the option to choose between 4 different platforms, allowing for installation of the ELS on a platform that is generally used within the member IT environment, and thereby saving resources for managing and maintaining the system. In the migration phase Eurogiro has allowed for the running of both the old ELS and the new ELS in a test environment. As the ELS version 2 is supported on a Windows Server, it is fairly easy to set up a test system to get acquainted with the new system and the procedures without any adverse impact on the existing ELS v1.5 environment.

An important part of the event are the presentations on technical subjects by our suppliers. Jan Dvoracek from HP made a presentation of the IP address system used in Eurogiro, and possible solutions for setting up additional firewalls. The representation of the message types and configuration files in the Eurogiro software is based on XML. We had invited Nis Holst from Rambøll Informatik to give a short training session on XML. The session described the structure of the Eurogiro files, and Nis also gave some recommendations on which tools to use to edit the files. With this knowledge our members are now well prepared for maintaining the files themselves and to make their own local message type definitions for the bilateral products.

With the introduction of the new Eurogiro applications it was equally important to review our Information Security Policy. Gerald Haumersen from ING/Postbank, The Netherlands gave

a presentation on the new policy. The Information Security Policy is based on ISO/IEC 17799, and the scope is now being changed from a technical focus into a focus on the business and the processing of the Eurogiro messages.

Eurogiro is currently implementing enhanced QA procedures with the aim of increasing the quality of our IT deliverables. Nis Holst from Rambøll Informatik and Wagner Banja from Eurogiro gave a presentation on the QA process used by our developers and the tools used in the communication between Eurogiro, our management centre and the developers. The presentation also focused on the objectives of a QA process to reduce the time spent on testing, and at the same time to improve testing by implementing libraries of test cases and test suites. Additionally, tools can be implemented for a semi-automated test of new releases.

The end of each day was dedicated to a workshop where the participants were in focus. The workshops were organised as discussion groups where issues such as migration, service and functionality, and other technical issues, were discussed and fed back to Eurogiro. Based on the feedback, Eurogiro has already

taken action to further develop the ELS and ESM and also to enhance the information concerning the new releases.

The social event of the year was a sightseeing tour to the old city of Prague. Outside the hotel we boarded an old tram, dating from 1920, and drove into the city. The noise level on these old trams unfortunately prevented a guided tour. So, to compensate for this, we had a guided walk through the old city where we all were shocked to see how high the water level was during the flood in 2003. After the obligatory crossing of the Charles Bridge we arrived at a restaurant on the bank of the River Vltava.



The social event began with a tour in a tram dating from 1920.



Lively discussions in the workshops. Friedhelm Otten, BAWAG P.S.K., Stephan Hagen and Hans-Jürgen Wolf, Deutsche Postbank

Western Union® and La Banque Postale celebrate ten years of co-operation

This summer Western Union and La Banque Postale have been celebrating the 10th anniversary of their relationship

The combined strength of La Banque Postale (former La Poste, France), which boasts one of the largest postal networks in the world and Western Union, one of the world's leading money transfer providers, has delivered significant competitive benefits for both organisations during this period of co-operation.

During these ten years there have been a number of milestones that have marked the success of the relationship. There has been significant growth in the number of La Banque Postale locations that are able to offer Western Union services to their customers during this period. Between 2002 and 2006 alone the number of La Banque Postale locations offering Western Union services has almost doubled, from 1,700 outlets to over 3,100. Notably, 2003 was a record year, with Western Union services being rolled out to over 1,000 La Banque Postale locations. The two companies also worked together to bring Western Union services to new customers in French overseas territories including Martinique, La Réunion and Mayotte. This roll-out has provided even greater convenience and access to services for Western Union and La Banque Postale customers.

"Our relationship with La Banque Postale has grown from strength to strength" said Hikmet Ersek, Senior Vice President, Europe, Middle East, Africa and South Asia, Western Union Financial Services. "Our regular meetings and close alignment has brought about a culture of innovation which is a win-win situation for both of us. From here we hope to keep the momentum going, continue our joint marketing



Banque Postale customer information stand on Western Union Money Transfer® services

efforts and make the Western Union service even more accessible to customers."

Innovation has been the hallmark of the relationship between the two organisations. Both Western Union and La Banque Postale co-operated to create the first CD-Rom used to facilitate interactive training at the post office. Today, over 30,000 postal clerks have been trained to process transactions through the Western Union Money Transfer® service, to ensure that customers receive the best possible service.

Western Union and La Banque Postale have collaborated to develop exciting marketing campaigns and visuals, and a wide range of merchandising materials for use at the point of sale - helping to build a brand identity that fits both organisations.

"The quality of our relationship with Western Union is illustrated by the constant growth of our activity that leads us to become one of the first Eurogiro members offering the Western Union service. In order to fuel this growth, La Banque Postale plans to develop its channels of delivery, offering the Western Union service to millions of its customers using remote banking services," said Jean-Philippe Gauthier, who is responsible for international money transfer marketing at La Banque Postale.





Eurogiro News | Special Issue

Asia Pacific region

– a key future focus area for the Eurogiro cooperation



The Asian payment markets are interesting for a number of reasons:

- The region is expected to grow by about 8% per annum over a 10 year period. Today about 60% of volumes are intra-regional, but this percentage is expected to reach nearly 70% over a 10 year period due to the high regional economic growth (source: Boston Consulting Group);
- About 30 million immigrants (10 million intra regional) contribute to a large and growing remittance market;
- The region is facing a number of structural changes such as deregulation, opening up of the economies, and privatizations. Examples are the formation of Postbanks in Japan and China;
- The Asian region is in many ways a pioneer in implementing new technologies.

Because of these trends, Eurogiro has increasingly focused on Asia. In the region, Eurogiro has had long term relationships with Japan Post and China Post, as well as global organisations such as Deutsche Bank, ING/Postbank and Western Union. Recently, Eurogiro has expanded significantly in the region with new members such as Thailand Post, Philippine

Post, Korea Post, American Express Bank (Japan), ANZ Bank (Australia/New Zealand) and most recently XacBank of Mongolia and is in discussion with a number of institutions in countries such as India, Vietnam, Singapore and Malaysia.

Eurogiro intends to increase its focus on the region through a number of future activities:

- Enlarge the member base in the region through targeted marketing activities;
- Arrange conferences and workshops for existing and potential members. As an example, Eurogiro, in co-operation with WSBI (World Savings Bank Institute), aims to arrange conferences/workshops to promote Eurogiro in the region;
- Implement structures whereby the members in the region have greater influence on Eurogiro in the region. This could be regional User Groups or working groups;
- Increase our resources in the region, for instance more frequent meeting with members, increased participation in conferences etc;

- Eurogiro has appointed a Single settlement service provider for USD as settlement currency for cross-border payments in Asia, which is Deutsche Bank.
- This year, Eurogiro will participate in SIBOS in Sydney with the aim of building new relationships with additional financial organisations in the region.

The existing market development in Asia, combined with the increased Eurogiro involvement in the region, makes it natural for us also to focus on Asia Pacific in this Newsletter. We are pleased to have contributions from Japan, China, Korea as well as ANZ Bank, Deutsche Bank and WSBI.

These articles should provide everyone with an overview of the very varied range of activities of Eurogiro in Asia, and not least illustrate the immense importance of these organisations in Asia. We look forward to working closely with these organisations, as well as new members and partners, in capturing the big opportunities for payments in the region.

Status Quo of Remittance Business in China Post

Eurogiro member since 2002

During the past decade, China Post has benefited significantly from the development of information technology, which enables it to have completed the construction of its international remittance system. At present, the system is externally connected to overseas cooperative organizations, which give it access to approximately 250,000 outlets of foreign postal organizations, banks and remittance companies in over 200 countries and regions. Internally, the comprehensive system is linked to more than 20,000 of its domestic offices, which are located in both urban and rural areas all over China. With such a huge network and

full coverage, China Post realized over 1.1 million remittance transactions in 2005, worth more than USD 1.5 billion.

Currently, China Post supports "cash-cash" payment and "cash-account" payment, and the foreign deposit service, however only available in 3 provinces. Since the beginning of this year, China Post has been working on the consolidation of its international remittance system and foreign deposit system, which is expected to be accomplished by the end of the year. By then, along with the expansion of the foreign savings business, the new joint

system will allow "account-cash" and "account-account" transfer.

With its business in progress, China Post gives great importance to communication with other institutions and would like to strengthen co-operation via the Eurogiro platform with partners throughout the world.





Japan Post's strategy of cross-border payment services

Privatisation planned for next year will create a way forward for the expansion of service provision and for upgrading the level of quality



Tetsuo Onda, General Manager of International Business, Postal Savings Business Department, Japan Post

In October 2007, Japan Post is to be privatised and, at the same time, it will be separated into four entities; namely, a postal company, postal savings bank, postal insurance company and a post office network company. Payment and settlement services are to be provided by the postal savings bank.

This landmark structural transformation is a golden opportunity to upgrade our cross-border payment services. Although the basic policy will remain unchanged, with emphasis on expanding coverage area and improving service levels, the strategies to achieve these goals will become either more spe-

cific or more flexible depending on circumstances. At present, the number of countries and territories covered by our services are 92, which is less than half of the total number of countries in the world. This is due to the fact that we are now providing cross-border payment services based on only the UPU Postal Payment Services Agreement, which does not allow us to instigate direct tie-ups with non-postal financial institutions.

However, after the privatisation, the postal savings bank will be subject to general banking laws which will enable us to broaden business ties with non-postal financial institutions such as private banks.

In practical terms, this means that we can participate in the extensive SWIFT network via Eurogiro partners who have links to SWIFT. The areas covered by our service will be subsequently expanded, and operational quality much improved.

The logical conclusion is that wire transfers to bank accounts will become the backbone of our service provision, while the traditional paper-based money orders will be inadequate to meet customer needs.

However, we do think that the money order, as a unique product provided by the global post office network, has a role to play in the future, so we would like to maintain and improve this service by utilizing the services of Eurogiro. In this regard, we have been encouraging our partners, mainly in the Asia-Pacific Region, to join Eurogiro.

In response to our proposition, Korea Post, Thailand Post and Philippines Post have introduced Eurogiro and we expect service to be much improved.



Deutsche Bank and Asia Pacific

Deutsche Bank's membership in Eurogiro is helping market its payment processing capabilities to postal agencies in the Asia Pacific region



Catherine Syn, Director and Head of Cash Management FI Strategy, Asia Pacific Deutsche Bank

Over the past few years, Deutsche Bank has been collaborating with Eurogiro to promote its expertise in helping postal agencies in the Asia Pacific develop new fee income business.

As a Eurogiro member and with a U.S. dollar account relationship with Deutsche Bank Trust Company Americas, postal agencies can utilize the money transfer services of the Bank to send international U.S. dollar money transfers electronically to credit the account of a corporation or an individual with a bank located anywhere in the world. Since these transfers are deposited directly into bank accounts they are more secure and faster than postal money orders to designated addresses via local post offices.

Deutsche Bank's money transfer operations are supported by the most advanced technology and systems with a round-the-clock operation to meet Asia's demand for transactions to be processed and serviced during Asia's business day.

The breadth of Deutsche Bank's worldwide coverage is perfectly suited to meet the global money transfer needs of Eurogiro members. Deutsche Bank also combines technological and human resources to provide both the tools and the skills that are essential in providing their partners with global service of the highest quality. To support day to day inquiries, the Bank maintains local customer service teams in more than 15 countries in the Asia Pacific.

In the Asia Pacific, Deutsche Bank has built up very successful partnerships with Japan Post and China Post. The volumes of U.S. dollar money transfers from these Eurogiro postal agencies continue to grow as they establish themselves as

major providers of international money transfer services and globalise their offerings.

Following its successful partnerships with the postal agencies in Japan and China, the Bank is now well positioned to replicate this achievement with other postal agencies in the region looking to expand into the international electronic money transfer arena. Deutsche Bank's scope over time is to develop an active relationship and connectivity with all Eurogiro members. This constitutes a long-term investment for the Bank into a market segment that needs a partner with global expertise in the payments arena to adequately respond to the pressure for expansion and increased efficiency.

By positioning itself within Eurogiro, Deutsche Bank has become the U.S. dollar international electronic money transfer provider of choice for Postal Agencies.





Korea Post in South Korea

joined the Eurogiro co-operation at the end of 2005



Jin Hee Choi, Eurogiro General contact within Korea Post

Since 1905, Korea Post has provided postal financial services for customers. At present, it has 2,800 post offices dealing with postal financial services, and it has branches all over the country, including branches in rural areas, which makes it the biggest network in Korea.

It offers services such as postal savings, postal life insurance, and remittances, payment for taxes, purchases, etc. using a nationwide network.

In particular, it is possible to transfer money to commercial banks and other financial institutions via the network of KFTC (Korea Financial Telecommunication & Clearing Institute).

Korea Post is a government organization, operated through a special budget, under the Ministry of Information & Communication.

The postal savings and insurance market share of Korea Post amounts to about 10% of the domestic market share in 2005. Since the latter half of the 1990's, its market share has been increased owing to a high level of customer satisfaction.

With regard to international money orders, current channels for remittance in Korea Post are paper-based postal money orders, money transfer through IFS, and SWIFT. The number of transactions reached 40,000 in 2005. Korea Post introduced the SWIFT system in international remittance services in 2004 and also signed the Connection Agreement with Eurogiro in the second half of 2005. Korea Post

has expanded its coverage for international money transfer. As a result, up to now it has exchanged contracts with 20 countries. The international money order services are dealt with through all post offices, and the majority of outgoing transactions are remittances of foreign workers' wages to their home countries and for Korean students abroad. Customers often prefer transfer money using the lower fee on offer through post offices.

The introduction of the Eurogiro system will enable Korea Post to provide high quality services with lower costs in remittance services for customers. Finally, Korea Post anticipates that its market share will be increased and that a significant boost will be given to the introduction of a new business model in the postal financial sector.



ANZ maintains its Asian focus

As the leading and longest-serving Australian bank in Asia, ANZ prides itself on the longevity of its commitment to the region and its deep understanding of its customers in the 12 countries in which it operates

According to David Hornery, Managing Director Asia, ANZ's commitment to Asia is demonstrated in its investment in the area. He says the region also represents a cornerstone of growth for ANZ over the medium to long-term.

ANZ has followed Australia and New Zealand customer interests into Asia and with 1708 Australian companies with operations in the Asia-Pacific region in 2003, (Australian Bureau of Statistics). ANZ's prosperity is intrinsically linked to the growth of the region.

"ANZ's strong product capabilities, expertise in our customers' industries, and deep understanding of Asia's markets, as well as the excellent skills of our people - many of whom have been with ANZ in Asia for over ten years, combine to deliver a proposition that is quite unique," says Hornery.

In Asia, ANZ has over 600 skilled professionals looking after Institutional, Personal and Private

Banking customers.

"Our unique position provides us with the insight to develop innovative products that strike a real chord with our customers," he says.

Payment services in Asia

Due to growth in immigration, as well as student and temporary visitors, Australia and New Zealand are witnessing growing demand to process low value payments to support family or students.

International payments present a significant opportunity in Asia, in 2005 remittances totalled USD 75b, which represents a 91% increase in remittance value since 2001¹ and the volume of payments are expected to increase 276% by 2011².

According to Hornery, customers are seeking payment systems and processes that are not only customer friendly, but cost efficient, and are shopping around for the best FX rates and lowest charges.

"While there's growth of non-traditional remittance providers, increasingly sophisticated customers are requiring banks to provide the necessary breadth and flexibility of product range to meet their requirements," says Hornery.

¹ Global Economic Prospects 2006, Economic Implications of Remittances and Migration, World Bank, P88.
² BCG Global Payments Report 2004, ABS 2004



WSBI and Eurogiro co-operate to facilitate Members' remittance messaging

Eurogiro and WSBI share a vision of a remittance market with significant growth and opportunities for postal organisations and savings banks



*Norbert Bielefeld,
Deputy Director
Payment Systems, WSBI*

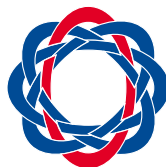
WSBI (the World Savings Banks Institute) works with 104 savings and retail banks with combined assets of over EUR 7,500 billion in 86 countries in Europe, the Americas, Africa and Asia Pacific. It represents their interests, creates cross-border business opportunities and develops market positions, thus providing a unique worldwide platform for co-operation. It also acts as a centre of knowledge for the retail banking sector. WSBI Members share the following characteristics: they are Retail institutions, active in providing retail financial services, they operate Regionally through a broad de-centralised distribution network, providing regional outreach and proximity services, and they take a socially Responsible approach to business and to society.

In the field of remittances, WSBI's strategy rests on 3 pillars: contributing to shaping the policy of international regulators and authorities, mobilizing and motivating members, and promoting end-to-end certainty and transparency. To respond to demand for remittance messaging solutions from a number of members, WSBI and Eurogiro formulated a "win-win" approach, capitalizing on the strengths of both organisations. The salient items of the co-operation between WSBI and Eurogiro are:

- WSBI members can become white-label users of the Eurogiro messaging capability, strictly for transactions between WSBI members (i.e. participating WSBI members will form a "closed user group").

- Whenever transactions are to be sent by, or are destined for, a non-WSBI member (i.e. going beyond the "closed user group"), then the prior, explicit agreement for the WSBI member in the sending or receiving country concerned is required.
- In parallel, Eurogiro members can become white-label users of the Eufiserv ATM switching services, under the same condition as described above when non-Eurogiro members would be either issuers or acquirers.
- For WSBI members the use of the Eurogiro messaging capability is an entirely voluntary, individual, and business-case based decision.
- Usage conditions (set up and messaging fees) are the same for WSBI members as for Eurogiro members.

WSBI and Eurogiro are looking at Asia to transpose the benefits of this co-operation. WSBI has 21 Members in 17 countries throughout the region, 4 of which have already begun to use the Eurogiro messaging service. Asia is an area of particular attention for both WSBI and Eurogiro, as better statistical data that has become recently available confirmed that remittances, both from outside the region, and within the region, have become a key feature of the economic landscape. However these remittance transactions are not immune from the problems affecting remittances in other parts of the world, and therefore both WSBI and Eurogiro are keen to deploy their value propositions for the benefit of their members and the latter's customers.



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Eurogiro Personnel

We are pleased to announce that on 1 August 2006 Ann Ottesen began working for Eurogiro Network A/S as secretary, replacing Pia Mortensen.



Activity Calendar Autumm 2006

7 - 8 September 2006
Eurogiro Quality Seminar in Munich, Germany

20 - 22 September 2006
21st WSBI World Congress in Kuala Lumpur, Malaysia

9 - 13 October 2006
SIBOS 2006 in Sydney, Australia

2 - 3 November 2006
Board Meeting in Vienna, Austria

28 - 29 November 2006
WSBI PSBF Meeting in Brussels, Belgium

30 November - 1 December 2006
Eurogiro TMO Workshop in Brussels, Belgium

Subjects to be covered in the next issue:

- New Eurogiro members
- Eurogiro Quality Seminar
- Eurogiro Strategy 2007-2010

Please forward ideas, comments, articles etc. to:

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