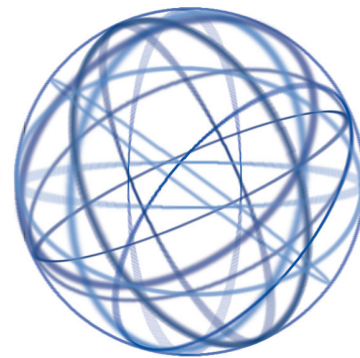


# Eurogiro News

THE INTERNATIONAL ELECTRONIC PAYMENT CO-OPERATION



## Welcome to India Post, Land Bank of the Philippines and Vietnam Post

Eurogiro strategically expands payment corridors in Asia

Eurogiro welcomes three new members – India Post, Land Bank of the Philippines and Vietnam Post into the Eurogiro payments network community.

Each of these organisations has a strategic business focus on international payments, especially worker remittances. According to World Bank data, the countries of India, the Philippines and Vietnam are in the top 10 Recipient list for migrant remittances among developing countries across the globe.

Eurogiro members have the opportunity to expand their payment corridors in Asia; each of these new members offers a vast branch network stretching across major cities and into the rural countryside.



Through organic growth, Land Bank of the Philippines is now one of the top five commercial banks in the country, offering the most extensive reach covering 80 of the Philippines' 81 provinces. With its social mandate of promoting countryside development, serving Overseas Filipino Workers (OFWs) is a priority agenda as most of the OFWs come from the countryside or the provinces. Land Bank has embarked on various initiatives to improve its systems and methods of cross-border payments – bannered by its membership with the Eurogiro network in 2009.



For over 150 years, India Post has provided postal services and small savings development in India. India Post is the largest postal administration in the world with a vast network of 155,035 post offices.

The Post Office Savings Bank is the oldest and largest banking institution in India, and has over 200 million savings accounts. In addition to its current deposit based activities, it also distributes a number of investment options including mutual funds, pension funds and non-life insurance.



Vietnam Post (VNPost) is a state-owned enterprise under the Vietnam Posts and Telecommunications Group, and was established by a Vietnamese government decision to be run as an independent organisation since 1 January 2008.

VNPost successfully connected to the Eurogiro network in September 2009 providing cash collection at 1,200 designated postal branches, with further expansion plans to 1,900 branches by the end of Q1 2010. The international payments service via Eurogiro is a strategic complement to VNPost's array of financial services.

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*Eurogiro welcomes these new members in the Asia Pacific region as the company continues to expand payment corridors across the globe.*

# Frame and Flexibility: Persuading a payment community to deliver both

The MLF framework - an innovative concept of payment exchange in a community

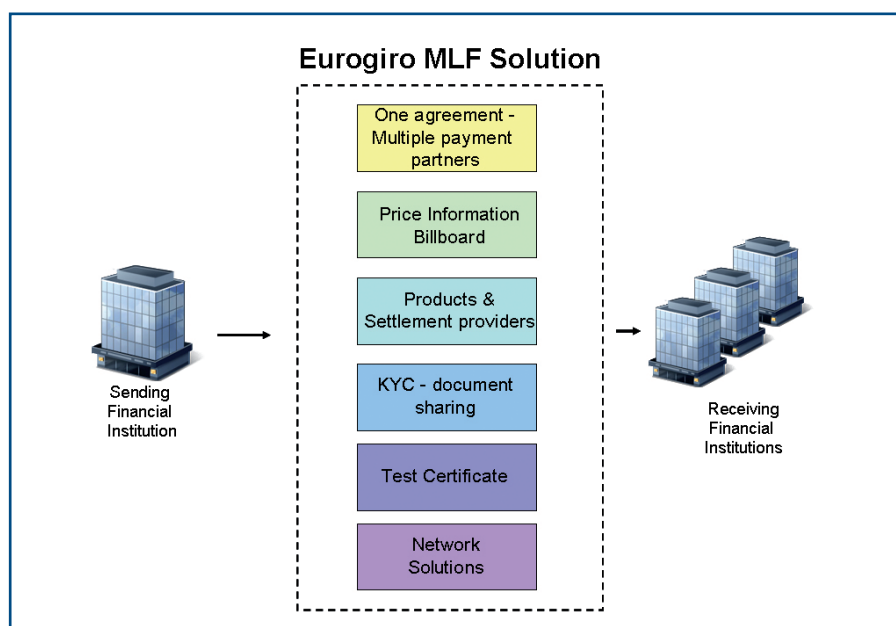
The MLF service defines standards and structures for all the basic elements of payment exchange, so that certainty and quality remain high. At the same time it reserves scope for tailored payment offers to customers in different markets. The participants retain the strategic advantages of independence, control and cost efficiency.

## Framework to secure cost efficiency

As is the case in most current cross border payments' initiatives, Eurogiro has a comprehensive set of standards for all elements of the payments exchange. This is a prerequisite for excellent quality and cost efficiency in the handling process, and Eurogiro has added single point settlement services to streamline the processing. In addition, Eurogiro now offers a standardized connectivity test that enables participants to reach a qualified level of processing without involving all partner organisations.

## Flexible offering to private and corporate customers

The challenge in a standardized world is to provide scope for tailor made services in the customer-to-bank area. Eurogiro MultiLateral Framework does so by defining a maximum outline, so that Eurogiro participants can speed up or improve the offering to address the requirements of their own markets. The philosophy behind this is that Eurogiro customers retain control of their



customer relations and can compete on their own terms, within their own markets, while benefiting from a cost efficient set up in the cross-border, inter-bank area.

## Cooperation remains essential

In the Eurogiro community, there is much emphasis on bringing business people together to facilitate growth of mutual business. The MultiLateral Framework does not alter this. The tedious, repetitive work to set up similar business relations in terms of agreements and tests have

been reduced. Contact persons, with known profiles and contact data are still nominated. The people who constitute Eurogiro continue to meet at seminars, quality improvement initiatives and web-forums etc. Therefore, resources are channelled into efficient problem solving, cooperation on top agenda issues such as corridor marketing, and exchange of best practices. The new multilateral approach is a natural development of a community which was built to reduce costs and create business opportunities.

Eurogiro is a commercial company that promotes bilateral and multilateral business opportunities among its customers. Customers of Eurogiro are active in retail financial services and wholesale banking worldwide. Although its roots are in Western Europe, Eurogiro now spans five continents. Eurogiro offers an electronic payment system that is the only cross-border payment system which covers both postal and banking products. The Eurogiro head office is in Copenhagen; Eurogiro also has a representative office in Singapore.

Albania: Posta Shqiptare sh.a. • Australia: ANZ Banking Group • Austria: BAWAG P.S.K. • Belgium: La Poste SA • Bosnia & Herzegovina: Nova Banka • Brazil: Empresa Brasileira de Correios e Telégrafos • Bulgaria: Finance Engineering JSC and Bulgarian Posts • Canada: National Bank of Canada • Cape Verde: Correios De Capo Verde • China: Postal Savings Bank of China • 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 • India: India Post • Ireland: An Post • Israel: Israel Postal Company Ltd. • Italy: Poste Italiane and Banca Popolare di Sondrio • Japan: Japan Post Bank Co. Ltd. • Latvia: Latvia Post • Luxembourg: EPT Luxembourg • Madagascar: Paositra Malagasy • Mongolia: XacBank • Morocco: Banque Centrale Populaire and La Poste - Barid Al Maghrib • New Zealand: ANZ National Bank • Philippines: Philippine Postal Corporation and Land Bank of the Philippines • Poland: Poczta Polska SA • Portugal: CTT Correios de Portugal • Romania: Posta Romana and Bancpost • Russia: Unistream Commercial Bank • Senegal: La Poste • Serbia: Postal Savings Bank • Slovakia: Postova Banka • Slovenia: Postna Banka Slovenije • South Korea: Korea Post • Spain: BBVA and Correos • Sri Lanka: National Savings Bank • Switzerland: PostFinance – Swiss Post • Thailand: Thailand Post and Bangkok Bank Public Co. Ltd. • Togo: Societe des Postes du Togo • Tunisia: La Poste • Turkey: PTT General Directorate of Posts • United Kingdom: Alliance & Leicester Commercial Bank, Envoy Services Limited, Citibank N.A. and Visa Europe • USA: Deutsche Bank and Standard Chartered Bank • Vietnam: Vietnam Post



## New Eurogiro Organisation – again?

In this interview, the Eurogiro Board chairman, Mr Armin Brun elaborates on the new Eurogiro structure and the future of the Network

At the extraordinary General Meeting of Eurogiro Holding A/S on July 1, 2009, the merger between Eurogiro A/S, Eurogiro NCIP A/S and Eurogiro Solutions A/S into the "new" Eurogiro A/S was adopted. "The objective of the company is to offer and stimulate all kinds of innovation and cooperation in financial services worldwide." This is an extract from the Articles of Association adapted at the meeting.

*Question (Q): Why is there a new chairman?*

Armin Brun (AB): The former Chairman, Dirk Berensmann left Deutsche Postbank AG. Being the chairman of Eurogiro is a challenge. I accepted the nomination because I believe in the work of the company and the services Eurogiro provides.

*Q: Lots of names have been used for Eurogiro so far. What is the correct new name?*

AB: The Company's name is Eurogiro A/S. The name Eurogiro Network may be used for marketing purposes.

*Q: Are we now reverting with this merger?*

AB: I admit that there are similarities at first glance. The new structure may look similar to the one we knew before 2008, but there are some major differences. We tried to keep the advantages of the previous structure and eliminate the disadvantages. There is a clear separation between the shareholders meeting and the board of directors, which consists of 9 members. Furthermore, the customer councils have clear objectives and regional responsibilities.

*Q: What is Eurogiro's experience with the split in 2008?*

AB: As a result of the strategic review in 2007 a new group structure was set up, and a growth strategy was adopted to attract new business and partners – mainly large banks. This was absolutely the right thing at that time. As we know, the world and the market changed dramatically. The result was that prospects had no priority for innovative developments and large banks had no interest in alternative payment processing, due to reductions in project budgets. The market and industry received clear demands for simple, risk-free and efficient structures.

As a reaction to the current situation on the financial markets, Eurogiro simplifies the governance structure by merging. Retaining the advantage of greater flexibility in governance will assist us in the future.

*Q: Is there any impact on customers and employees?*

AB: Luckily there is no need for any changes in the contracts with customers and partners. The personal contacts will remain the same. The representation in Singapore is successful and will remain.

*Q: Is Eurogiro able to reach its goals with the new structure?*

AB: In my view it is our task to restore stability as soon as possible and to let the Eurogiro employees continue with their work. Therefore, I am confident that Eurogiro will reach its objectives.



*Mr Armin Brun is Head of Market and Distribution at Swiss Post – PostFinance. He joined PostFinance in 2001 and knows Eurogiro from his different functions at PostFinance. He was a member of the Eurogiro Holding A/S Board and is the recently appointed chairman of Eurogiro A/S. Armin Brun holds a degree from the University of Berne and lives with his family in Sempach, in Canton Lucerne*

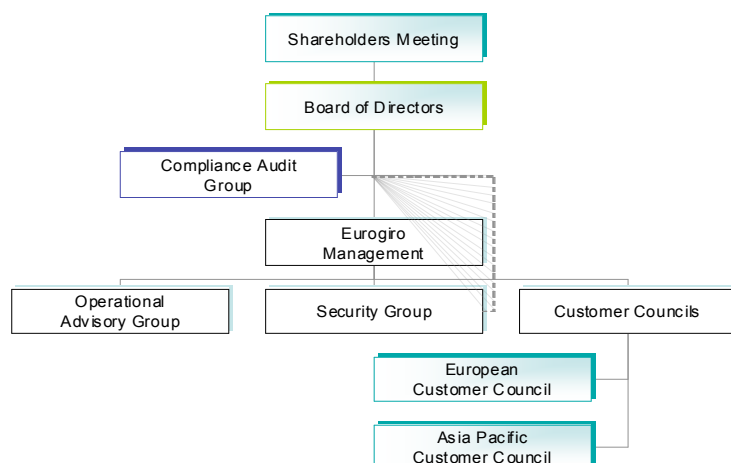
The Board is in charge of adapting the strategy together with the management to attain and surpass our partners' expectations.

*Q: What can we expect from the new Board?*

AB: With Mario Daberkow (Deputy Chairman) of Deutsche Postbank AG, Sylvie Solignac of La Banque Postale, Paolo Baldriga of BancoPosta, Jos Glod of EPT Luxembourg, Paulo Fontes de Azevedo of CTT Portugal, Paul Camp of Deutsche Bank AG, Rudolph Pendl of BAWAG P.S.K. and Tjeerd Rienstra as CEO, there is a dynamic and focused team in charge. Furthermore, it is representing major Eurogiro customers with various backgrounds. I am sure that we will be able to set important milestones for Eurogiro's future. As a next step, we are investigating the possibility of increasing capital to strengthen the financial basis for further developments.

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### Governance Model 2009





## Banque Centrale Populaire, Morocco - first participant to MultiLateral Framework

A few weeks after Eurogiro launched the MultiLateral Framework (MLF), Banque Centrale Populaire (BCP) in Morocco filed its participation form. Eurogiro asks Mr El Basri Hassan, General Manager, from BCP about expectations and early experiences it self as a leading company in its environmental approach



*Mr Hassan El Basri, General Manager is the Eurogiro contact at Banque Centrale Populaire. The MultiLateral Framework is a promising initiative from Eurogiro and we expect it will streamline our workers remittance business, Hassan El Basri says. We like to see Eurogiro play a role in innovating technology and business models, reduce transaction cost, and act as a catalyst in coordinating marketing programs in different member countries*

Hassan El Basri concludes: "with a dedicated structure, well trained team, an upgraded system that reduces the payment orders processing time from D+1 to quasi real time, the decision to sign on to the MLF was easy. It confirms Banque Centrales Populaire's position as a leader in migrant remittances, nationwide and eventually worldwide."

[hmiri@cpm.co.ma](mailto:hmiri@cpm.co.ma)

"The MultiLateral Framework reflects an innovative business model that Eurogiro has adopted for its community" says Hassan El Basri, General Manager, of Banque Centrale Populaire (BCP). BCP, as a member of Eurogiro and participant to the MLF program, has combined the new technology and new model of cooperation to take advantage of first entry into the market and reinforce its competitiveness. The MLF supports a well developed market strategy of the BCP and helps to build a profitable organisation which may be critical to stay ahead of competitors in these times of economic turmoil.

*As you phrase it, Mr El Basri, the MultiLateral Framework introduces a 'One stop shop' way to establish partnerships in Eurogiro. What are your expectations to the new way of doing business?* First of all, by participating in the MLF program, Banque Centrale Populaire can reach different partners worldwide in a short period of time at low opportunity costs. In fact, several factors contributed to BCP's decision: "The existence of an efficient, reliable single settlement provider for several currencies, and the price information billboard that makes business more transparent, benchmarking easier and negotiation times shorter. Also, BCP appreciates the Eurogiro

technical certification and expects that it will contribute to the good image, demonstrate the quality and robustness of its system, and also reduce the timescales of the testing phase.

*In the MultiLateral Framework, the communication between partners to set up a relation can be much quicker. In what ways do you think the relationships in the community will be impacted by the MLF?*

"We actually believe that the MLF reinforces partnerships worldwide with major financial institutions". It will polish our credibility among members in the community. After all, the new approach to establishing new connections will streamline our workers' remittances services. As matter of fact, Banque Centrale Populaire has its strategy firmly set to fortify its leadership as a leader in the migrants' market.

Today Banque Centrale Populaire has one third of the money transfers, all channels aggregated, in Morocco, which equals 60% of the market share of transfers via a banking channel. It also has the highest migrant deposit market share. This is a result of adopting a proximity strategy towards Moroccan migrants and building an extensive partners network.

### Banque Centrale Populaire, Morocco :

- One of the first banking groups in Morocco
- Is the leading bank, in the migrant market with 40 years experience in the business
- Largest Banking network in Morocco with 759 branches
- Largest client portfolio in Morocco; 3 million account holders – or one in three
- Leader in migrants market with share of 54% in deposits, and 35% in remittances



**BANQUE POPULAIRE**

FAITE POUR VOUS





# Deutsche Bank and the Eurogiro SMS service

Deutsche Bank supported the development of the SMS messaging service in Eurogiro and explains why and what it expects from the service

## SMS enables 'Polaroid Payments'

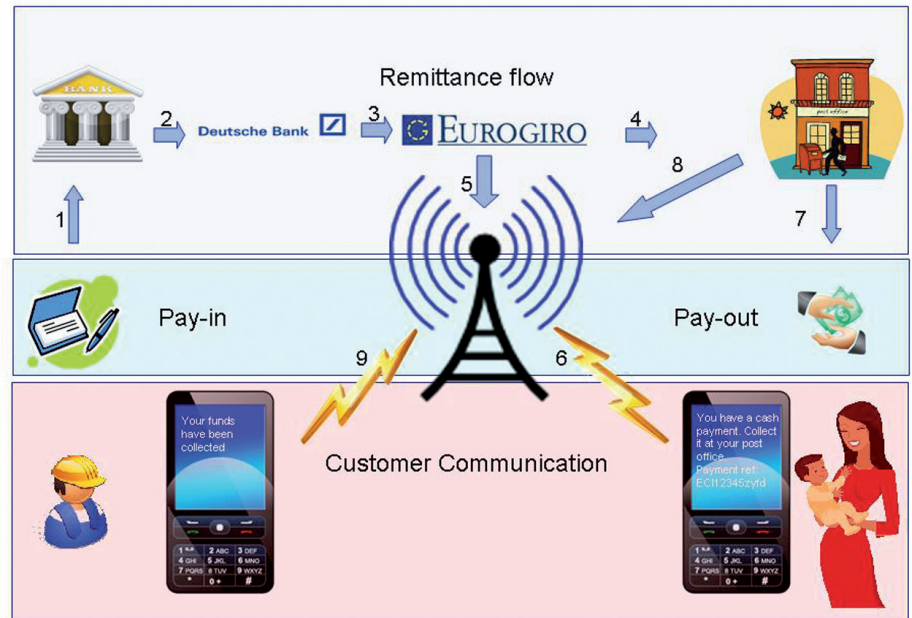
In today's globally connected world, people are more and more used to the instant availability of information anywhere, at any time. Like online tracking of your order in an internet shop, instantaneous feedback on your payments is a growing demand. In particular, worker's remittance payments which potentially support an entire family, confirmation of execution and receipt of funds provide great comfort to the sender. Such remittances could be considered as being "Polaroid payments": you give the order, the receiver gets an advice and you receive notification about the collection of the funds, so you literally see all steps of the payment developing in front of your eyes.

## Development within Eurogiro

Eurogiro identified the potential of this add-on service to the remittance offering at an early stage and the introduction of the MultiLateral Framework (MLF) set the frame for ECI SMS Notify and the SMS messaging service. From the beginning, Deutsche Postbank and Deutsche Bank supported the development with resources.

## Why does Deutsche Bank want SMS notification?

Deutsche Bank is committed to being a premier cash management provider, as evidenced by, for instance, the 2009 Euromoney Award for Excellence in Best at Cash Management in Western Europe. Our participation in the Eurogiro network along with structured relationships globally allows our financial institution clients to offer multi-country remittances services, even into under-served rural regions. SMS notification provides an extra level of comfort as it virtually reduces the payment chain for our client's customer as immediate feedback on their transactions is provided. Every SMS confirming a successful payment builds up a positive track record and increases the level of trust. Customers will become familiar with this service and may choose to continue using this method, which in return can give our financial institution client the competitive edge.



## Outlook

Deutsche Bank aims to introduce SMS notification for ECI as well as every other remittance payment in 2010.

Another important aspect for Deutsche Bank was to have the service built with an open interface. This resulted in the SMS Messaging Services. Triggered by a free format MT199, an SMS can be sent out in relation to any type of transaction or service providing any type of information. So the door is open for new functionality even outside of the remittance space. In the Eurogiro context, the service could be used for confirmation of execution of test payments in an implementation scenario for new services like ESSP, USSP or MCSSP. Outside the Eurogiro environment, treasurers may be interested in notifications about very high value payments or to get liquidity management alerts via SMS. The scope of usage is unlimited.

For Deutsche Bank, it was a win-win situation to get this value-added service developed by Eurogiro using its proven track record as a reliable and innovative network. We are looking forward to implementing these services and encourage all partners to do the same. It is an excellent way to upgrade your product offering with minimal efforts.

## How does it work?

1. Customer gives order for remittance
2. Customer's bank forwards order and text message including originator and beneficiary phone number to Deutsche Bank
3. Deutsche Bank sends an ECI including customer message and phone numbers to Eurogiro
4. Eurogiro forwards the message to the beneficiary's Post Office/branch
5. Eurogiro generates SMS payment advice to beneficiary
6. SMS received by beneficiary
7. Beneficiary collecting funds at Post Office/branch
8. Eurogiro payment database is updated
9. Eurogiro generates SMS to originator confirming pay-out

*michael.obrist@db.com*

**Deutsche Bank**



## Eurogiro Technical User Group Meeting 2009

The Technical User Group annual meeting was held in Copenhagen to allow the delegates to meet with the ENOC support personnel



*The traditional group picture!*

The Technical User Group meeting this year followed the format from last year with a mixture of presentations, workshops and discussion groups. Of high importance were the presentations made by the members. These presentations were given in line with one of the main purposes of the meeting – knowledge sharing.

### Disaster Recovery

Mr Stephan Hagen and Mr Hans-Jürgen Wolf from Deutsche Postbank gave a presentation on the Disaster Recovery (D/R) set-up at Postbank in relation to the Eurogiro services.

Being the service provider for the EUR settlement requires a very high degree of contingency. For this reason Postbank has 3 systems – production, disaster recovery and test. The production and D/R systems are located at different sites and with separate leased - cross-connected - lines to the network. To minimize the downtime in case of a disaster the D/R system is running as a warm standby and is kept updated using the rsync utility.

rsync is an open source file transfer program for Unix systems. rsync provides a very fast method for bringing remote files into sync. It does this by sending the differences in the files across the link, without the requirement that both sets of files are present at either end of the link beforehand.

Important factors are documentation and frequent testing. During a disaster one of the most important things is to stay cool.

The implementation at Postbank is very much in line with the set-up at Eurogiro. Mr Oskar Schultz, Eurogiro, described the current status and the plans for future improvements of the D/R such as clustering of the HSM modules (PKI key storage), virtualization of the servers and image clustering using the services provided by RedHat Linux.

### Back office application at Nova Banka

Mr Mladen Perkovic from Nova Banka gave a very interesting presentation and demonstration of a simple BackOffice application for processing of Eurogiro Envelopes.

The main purpose of the project was to serve as a low-tech solution to get started until Eurogiro payments were developed within the main core banking application of Nova Banka. The application was developed with focus on increasing the efficiency in daily back office processing of Eurogiro outgoing payments, mainly through removing the need of using the old ELS application, and its text-based user interface and shifting the work into a new user-friendly and more efficient environment.

The application was developed by a single person spending approximately 3 months.

### Platform details:

- Microsoft Excel and Visual Basic.
- FTP application
- MAC application from Eurogiro

### Functionality:

- Receive payment orders from branches
- Envelope creation
- Envelope modification (add or removal of transactions)
- Envelope verification
- Automatic FTP transfer to ELS
- Ability to handle the MT's 192, 195, 196, 198, 199, 202 and 292
- Envelope reception
- ESSP account maintenance and reconciliation of sent and received Envelopes
- Archive of Envelope
- E-mail service with payment details to branches
- Handling of OUR charges



## ENOC at Cortex Consult

As promised Eurogiro had prepared a more detailed presentation of Cortex Consult – our new supplier for the Service Desk called ENOC. Mr Jan Friis Pedersen and Mr Johan Petersson presented the company and the ENOC services. Cortex Consult deliver professional operation, maintenance, pro-active surveillance and Service Desk on Servers, Clients, Network, Databases, Security, IP-telephony, Middleware software and selected applications according to the ITSM and ITIL® standard. We received an insight to and a demonstration of the main tools used at the Service Desk.

### ENOC service tools:

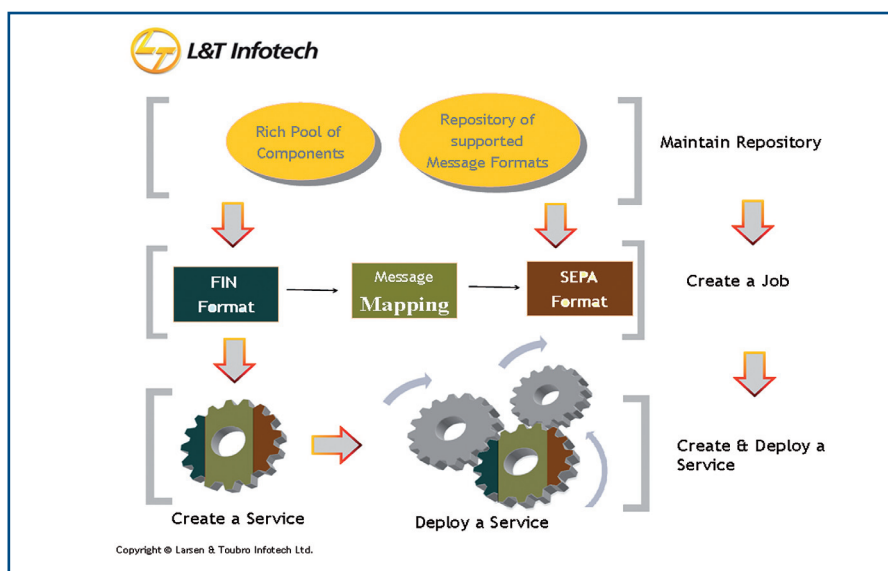
- Opsview, for system and network monitoring
- IHLP® 2007, for incident management
- Jabber, Open Source instant messenger for ENOC, Eurogiro and the sw developers
- InterHotline, proprietary reporting tool for ENOC, Eurogiro and the sw developers. Will be swapped with Bugzilla end of 2009.

Opsview is an Open Source software package for network and infrastructure monitoring from Opsera. It provides comprehensive system management capabilities used to monitor complex data centers. Opsview is very flexible - the open standards and interfaces and the wide array of plug-ins ensured that it was tailored to meet the requirements from Eurogiro. IHLP® 2007 is a Danish Service Desk tool to support the IT service management activities using the principles in the ITIL® framework. IHLP® 2007 is used for the incident, service request and change management as well as the configuration management database (CMDB). The term CMDB stems from ITIL and is a repository of information related to all the components of an information system.

### MLF and Connectivity Certificate

MLF is the most important development within Eurogiro this year. Even though the technical aspect are few the MLF project involves all. Mrs Annelise Lysdal, Eurogiro, presented the framework focusing on the main issues:

- Time savings by minimizing the need for bilateral agreements
- Implementation of the price information billboard - minimizing the need for bilateral price agreements



### Message Transformation Engine

- Implementation of the Connectivity Certificate
- New SMS messaging in addition to well known, fine tuned products and settlement through ESSP and USSP
- Access to KYC documents on subscription basis – AML/ATF documents gathered as part of signing process

Mr Oskar Schultz, Eurogiro, presented the Connectivity Certification process that was introduced with MLF.

The time consuming bilateral testing that a new member had to perform with almost every business partner is now replaced with a formalized and standardized testing procedure with Eurogiro. This will lead to cost savings and faster implementation of the of the Eurogiro services. After a successful completion of the test procedures the member will receive a certificate.

### Eurogiro Web-site

Eurogiro has introduced a new Web-site based on Joomla. Mr Birger Pedersen, Eurogiro, presented the ideas behind the new web-site. Using a tool like Joomla provides access to a community where you can find answers and solutions to the implementation of functionality you require. This has given us the following advantages:

- More dynamic web-site
- More secure access to the web-site
- Easier administration of the content
- Easier administration of the access rights
- Low maintenance costs

### Workshops

Most of the presentations were followed up by a workshop where the participants were asked to discuss and give feed-back on specific topics. The

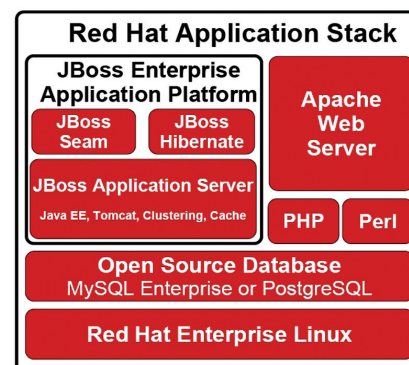
workshops were also used as a forum in which to exchange ideas and obtain in-depth knowledge of the Eurogiro environment. Eurogiro received very valuable feed-back and suggestions to the further development of our services.

### SEPA converter

The last day was very much dedicated to external speakers. Mr Shriram Rao from L&T Infotech, India, gave a presentation of a message transformation engine for the SEPA environment and how this could be implemented as an add-on to the existing Eurogiro application (see graphic above).

### JBoss®

As a follow up to last year's presentation by RedHat, we had Mr Thomas Qvamström to give a more detailed presentation of the open source JBoss® Enterprise Middleware architecture as part of the Redhat application stack.



The location for the meeting next year will be Zürich, Switzerland. The agenda will follow the valuable feed-back we received at the meeting. The event is a unique opportunity to meet fellow Eurogiro IT experts and discuss hands-on problems and other payment IT-related procedures.



## Vietnam Post

Vietnam Post (VNPost) provides Eurogiro members a gateway into Vietnam

VNPost is a state-owned enterprise under the Vietnam Posts and Telecommunications Group, and was established by a Vietnamese government decision to be run as an independent organisation since 1 January 2008.

Mr Vinh, Vice President at VNPost notes that the Post has paid great attention to develop different electronic systems for exchanging international money orders with other countries with the aim to improve service quality and expand cooperation with postal organisations, banks and remittance companies all over the world, and is at the same time strengthening its domestic network operations. VNPost has 18,838 service points located across the country of Vietnam. The Post offers a variety of financial services including domestic and cross-border payments, postal saving services, COD, bill collection and payments, and an air ticket agent service.

VNPost went live in September 2009 connecting to the Eurogiro network through the ELS (Eurogiro Local System). In the initial phase, Vietnam Post seeks Eurogiro members as its payment partners who are interested to send payments for cash collection at one of its 1,200 designated postal branches, with further expansion plans to 1,900

branches by the end of the first quarter in 2010.

VNPost's decision to join Eurogiro was based on the benefits to be realised from the Eurogiro community and network that has been offering an international payments service as its core business for over 15 years, with a proven business and IT infrastructure that ensures high quality, international standards for payments. The Post will also benefit from the connections with Eurogiro's unique community of postal organisations, post, savings and commercial banks, as well as other financial service providers, located in nearly 50 countries across the globe.

*Coaching session at Vietnam Post conducted by Mr Jean-Luc Demierre from SwissPost PostFinance (pictured here in the middle together with Ms Juanita Woodward at the left together with the team from Vietnam Post)*



VNPost is interested to exchange payments with all Eurogiro members, and are especially interested in the payment corridors with Australia, Belgium, Canada, Czech Republic, China, Germany, Japan, Latvia, Russia, Slovakia, Switzerland, Thailand, and the United States.

At the beginning of the Eurogiro implementation, VNPost plans to set up bilateral contracts with its potential international payment partners. However, VN Post plans to participate by 2011 in Eurogiro's newly launched MultiLateral Framework that provides faster speed to market for payment relationships within the Eurogiro community, as well as ECI (Eurogiro Cash International®) that provides a guaranteed 2-day cash receipt service.

A report from the World Bank on the top recipients of migrant remittances among all developing countries in 2008 listed Vietnam as the 10th largest receiving remittances country in the world. Vietnam's central bank has forecasted inflows for overseas remittances to be between US\$5.8 billion and \$6 billion in 2009.

For more information on VNPost, contact Ms. Nguyen Thi Hoang Yen at [yennth@vnpt.com.vn](mailto:yennth@vnpt.com.vn)

## Land Bank of the Philippines

A 100% government financial institution established forty-six years ago to promote development in the Philippine countryside

Through organic growth, Land Bank is now one of the top five commercial banks in the country, with the most extensive reach covering 80 of the Philippines' 81 provinces.

The Philippines has always been among the world's largest recipients of inbound remittances. According to the World Bank, inflows totalled US\$16.4 billion in 2008, landing it 4th in the world rankings.

Remittance inflows are a major driver of growth and consumption in the Philippine economy, representing about 10 percent of the country's GDP. Despite a global downturn in remittances growth, remittances sent to the Philippines for January-July 2009 have totaled US\$10 billion, up 3.8 % compared to last year. With continuing

signs of improving global economic conditions, the Philippine government expects inbound remittances to remain stable for the remainder of year.

Land Bank has long adopted serving Overseas Filipino Workers (OFWs) as among its priority agenda. Noting that most of the OFWs come from the countryside or the provinces where the Bank anchors its operations, Land Bank has embarked on various initiatives to serve the needs of these constituents.

"We are taking a more aggressive stance to support not only OFWs but also their families, most of whom live in the rural areas. OFW remittances help perk up the local economy which is consistent with Land Bank's thrust of promoting growth and development in the

countryside," explained Land Bank President and Chief Executive Officer Gilda E. Pico.

Among Land Bank's efforts are the improvements in the systems and methods of cross-border payments – bannered by its membership with the Eurogiro network within this year. Land Bank has realized that many of the Filipinos abroad have easy access to Eurogiro members, especially the Postal Banks. The decision to join the Eurogiro network was based on the prospective benefits that both the Bank and its multitude of clients will draw from the Eurogiro community and network.

Since Filipino migrants are arguably dispersed all over the world, Land Bank is interested in exchanging payments with all Eurogiro members. Of particular significance for Land





*Left to Right: Ms Thelma Bentulan, Bank Executive Officer, Global Banking Department, Mr Roberto Vergara, Group Head, Global Banking - OFW Remittance Group, Ms Juanita Woodward, Eurogiro, Ms Cecilia Borromeo, EVP for Institutional Banking, Ms Carolyn Olindo, Head, Overseas Operations Support Unit, Global Banking Department and Mr Reo Andarino, Chief Representative, Tokyo Representative Office*

Bank are the payment corridors with Australia, Canada, China, Japan, Korea, Israel, Thailand, the United States and most of Europe.

Land Bank will connect to Eurogiro through the ELS (Eurogiro Local System) and is targeted to go live in October 2009. Land Bank seeks Eurogiro

members as payment partners who are interested to send payments to Land Bank for bank account credits not only to its own branches, but for any other bank in the Philippines. The bank also accepts cash receipts in all of its branches.

At the beginning of the Eurogiro implementation,

Land Bank plans to set up bilateral contracts with its Eurogiro member payment partners. However, Land Bank is preparing to participate in Eurogiro's MultiLateral Framework, as well as ECI (Eurogiro Cash International<sup>®</sup>) that provides a guaranteed 2-day cash receipt service.

For more information on Land Bank, contact Ms Carolyn Olindo at [colindo@mail.landbank.com](mailto:colindo@mail.landbank.com).

## India Post

India Post plans to launch its international payments service via the Eurogiro network in October 2009. Across its vast network of post office branches, customers will have access to cash and account transfers for both incoming and outgoing payments

Indians working abroad will now be able to send payments for either cash pickup at a postal branch, or request to send cash directly to their relatives at their doorstep. India Post will provide account-to-account international payments like the banks in India, and they also plan to provide an outbound payment service with Eurogiro members for cash receipt.

India Post is a 100% government-owned postal and financial institution, established over 150 years ago to promote postal services and small savings development in India. The strength of India Post lies in its vast network and the end-to-end rural reach it provides in retail and cash management.

The Post has a vast network of 155,035 post offices, and is the largest postal organisation in the world. As a result it has become a popular mechanism for last mile delivery of both private commercial and governmental services.

India Post as a retail outlet has been increasing in popularity. The rapidly changing Indian economic scenario - liberalization, globalization, and a widespread technological revolution - has given rise to the need for efficient delivery of a

variety of services. The Post provides not only universal postal services, but it also serves as a useful channel for other socially significant schemes like small savings, payment of Pension and Postal Life Insurance, especially for rural India

The Post Office Savings Bank is the oldest and largest banking institution in India. It has over 200 million savings accounts and provides deposit facilities at over 154,000 branches spread out throughout India. In addition to its current deposit based activities, it also distributes a number of investment options including mutual funds, pension funds and non-life insurance.

The country of India is the largest receiver of international remittances. The World Bank estimates that US \$45 billion of remittances were received by India in 2008. In its annual report of 2008-09, the RBI said the global economic downturn had not dampened the flow of remittances to India, owing to many factors such as depreciation of the rupee, hike in interest rate ceilings on NRI deposits and uncertainties in oil prices.



*Ms Radhika Doraiswamy, Director General, Department of Posts and the Chairman of the Postal Services Board*

India Post plans to connect to the Eurogiro network via the ELS (Eurogiro Local System). At the beginning of the Eurogiro implementation, the Post will set up bilateral contracts with its Eurogiro international payment partners. However, India Post is preparing to participate in Eurogiro's newly launched MultiLateral Framework.

For more information on India Post, contact Ms Manisha Sinha at [manishasinha@indiapost.gov.in](mailto:manishasinha@indiapost.gov.in)

## PSD and Postal Organisations: Western Union Advises a Call to Action

While there are delays on the road to PSD transposition into national legislation it is coming and coming soon. In this article AJ Hanna, Senior Vice President, Strategic Network & Business Development of Western Union, outlines the key opportunities and challenges it presents for remittances in the postal industry



*Mr A. J. Hanna, Senior Vice President, Strategic Network & Business Development, Western Union Financial Services, Inc.*

*As Senior Vice President, Strategic Network & Business Development, A.J. Hanna has general oversight for Western Union's distribution network in EMEA-APAC and is currently tasked with implementing the Payment Services Directive strategy in the European Union*

The Payment Services Directive (PSD) is going to create a dynamic change within the European payments landscape. In terms of remittance this legislation will have far reaching implications for postal organisations which currently have sizeable share of the European remittance market. Posts will now have to compete with the likes of supermarket retailers, petrol stations and corner shops offering payment services and remittances too.

Broadly the PSD can be seen as an opportunity for postal organisations. It is an opportunity to both retain and attract more remittance clients. Up until now post offices that have wanted to offer financial services, including remittances, have usually had to offer it through a post bank, a separate financial services arm of the post office or a subsidiary of the post office. After PSD, posts could offer financial services directly and ubiquitously throughout their networks. But posts will have to be fast to capitalise on these opportunities and need to look at ways to enhance revenue generating opportunities for instance by partnering with Western Union, to offer payment services and remittance products, that can help to attract

consumers to the post office. The post office can then cross sell additional products and services to these customers.

The PSD is due to come into operation in November 2009. It aims to establish a harmonized legal framework by removing legal and technical obstacles for the creation of an integrated payments market in the EU. The Commission proposes the introduction of a new license for non-credit institution payment service providers which do not take deposits or issue e-money. This license aims to increase competition in the market by removing any existing barriers and to facilitate entry into the market of new payment service providers such as retailers, money remitters or mobile operators.

### Impact of the current economic climate

While the current economic downturn is having an impact on the international remittance market there is still growth forecast. Most recent estimates from the World Bank (July 2009) show that while remittances are expected to fall by 5 – 8% in 2009 they are expected to be growing at 3 – 6% internationally by 2011. Consumer segmentation is evolving from migrant remittance cross-border, to inter-country remittances and a wider portfolio of payment services, with predicted growth for the next five years and beyond.

### Be Prepared for PSD

Although there is a solid state of readiness to PSD amongst the posts in Europe, all

opportunities and impacts have not yet been fully explored.

Posts who are already offering branded remittances cannot afford to be complacent. They should be looking for opportunities to expand those services within their own branches, to better position their remittance brand to attract customers. The post offices are institutions that the consumer immediately relates to and where there is an immediate trust and credibility relationship – this must be capitalised on. As the environment becomes more competitive, the posts are recommended to differentiate themselves by clearly advertising and promoting the availability of their remittance services at their locations.

### Service is key

After November 2009, the markets are going to be open to many types of financial services options, from self-service kiosks, to the tobacconist next door offering more convenient hours and Sunday opening. In order to compete, post offices will have to offer 'best in class' services to customers. They also need to consider extended hours and expanded presence within their branches as customers will be shopping around for more convenient options and locations. I recommend looking at PSD from a service perspective and having a compelling value proposition to back up that service. If you give the customer choice, control, the best products and a good service you will remain their preferred choice.

For further information please contact  
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# Aflatoun is empowering children with social and financial skills for savings, banking, and entrepreneurship...

Remittances are a source of assets for programs like Aflatoun in many countries

## Aflatoun's mission

*"Inspiring children to socially and economically empower themselves to be agents of change in their own lives and for a more equitable world".*

Jeroo Billimoria, a social entrepreneur who founded notable social enterprises like Child Helpline International, began her work with street children in India. Her work made her realize that the persistence of economic and social inequality, generation after generation, is caused in part by the lack of basic knowledge about rights, asset-building, financial literacy, and entrepreneurship. In 1991, Jeroo and colleagues from the Tata Institute of Social Studies began testing a curriculum in Maharashtra, India, which over 17 years developed into the Aflatoun Programme we know today.

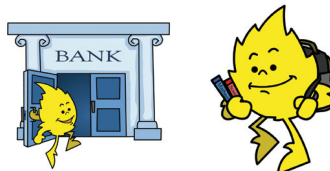
The Aflatoun Programme aims to empower children's economic self-reliance and sense of social responsibility; enabling children to be financially and socially capable while promoting a more equitable global society.

Today, the programme has grown from its roots in India to 25 countries across the globe. Over 540,000 children participate in the programme through schools and form informal savings groups called: the Aflatoun Club, essentially a school bank. The programme targets children in primary school ages 6-14 and is now scaling up with an "Afla-Teen" programme to work with children as they grow older.

In many households across the globe financial education has historically been within the responsibility of the home, with family members teaching children about money. This perpetuates a cycle where only those parents who know about money, can pass this knowledge onto their children. Those parents who do not know entrepreneurship are unable to pass on the knowledge to their children. Aflatoun aims to bring social and financial education out of the home and into the school classroom to break this cycle of inequality in financial literacy. Aflatoun is a fireball who comes from outer-space to visit children all over the world and teach them about 5 Core Elements:

1. Personal understanding and exploration,
2. Child Rights and responsibilities,
3. Saving and spending,
4. Planning and budgeting, and
5. Child enterprise (Social and Financial)

The Programme is designed to be engaging and child-friendly, using methods that put children in the spotlight of the learning process. Aflatoun kids are then encouraged to apply their knowledge and skills through a school-wide savings club and enterprise activities which encourage them to save their money and plan for the future.



Through Aflatoun's complementary initiative called "Child Friendly Banking" country programmes are also partnering with financial institutions like postal banks, retail banks, deposit-taking microfinance institutions to provide formal places for children and schools to build assets and learn about formal banking. These banking partnerships have re-established local confidence in formal banking and provided opportunities to cross-sell to parents, teachers and grandparents. Banks have found innovative and low-cost ways of linking schools and Aflatoun savings to formal group or individual accounts.

There are many ways children can build assets for their future, and currently Aflatoun's global research shows that children's personal savings have a small but weekly frequency of deposits and these amounts are often spent on school supplies and school fees.

Given that remittances are a prevalent source of income for many of the countries and households where Aflatoun children come from, such as India, The Philippines, El Salvador and many other countries, Aflatoun is also interested in product development to capture remittances sent from family members abroad for children's education expenses, or other basic needs into a local savings accounts. Remittances are a resilient source of assets for many households and are often directed towards children's education or

basic needs. Too often, parents and adult family members are working abroad but choose to leave their children in the home country, forming a transnational family that is sustained on remittances from parent to child.

Aflatoun would like to initiative Afla-Savings products where local children already learning to save and plan with the Aflatoun Programme are linked to "Afla-Savings" accounts for parents abroad to directly remit money towards children's education.

After piloting in India and 10 other countries, Aflatoun launched its Campaign for Child Social & Financial Education in March 2008. The CSFE Campaign is bringing the Aflatoun Programme to 1 million children in 75 countries by 2010.

Today, Aflatoun is reaching over 540,000 children in 25 countries worldwide and actively looking for banking partners to link children to formal savings and even host children's field trips to banks. Via the Aflatoun Child Friendly Banking strategy to link financial institutions to Aflatoun Programmes, we have learned from the Aflatoun Network that MFIs, retail banks, cooperative banks, central banks, and other banks can not only provide savings accounts, but contribute to the Aflatoun Programme in many ways.

## Contact Information:

If your institution is interested in linking with an Aflatoun Programme in your country or would like to learn more about the Aflatoun Programme and Child Friendly Banking contact [Sara@aflatoun.org](mailto:Sara@aflatoun.org).



*An Aflatoun Club in The Philippines shows off their informal savings activities through their traditional bamboo banks*





## Remittances – a melting pot of ideas

The world of international remittances has changed dramatically in the last 5 years and this trend looks set to continue as we approach the second decade of the 21st century – that is the view of the International Association of Money Transfer Networks (IAMTN), among others

IAMTN represents a broad cross-section of the international remittance community. Its members include multi-national money transfer companies, banks, infrastructure providers, technology companies, suppliers to the industry and importantly organisations such as Eurogiro. The organisation is guided by an Advisory Board that contains key influencers in the remittance industry from around the world. We are delighted that the Advisory Board includes Tjeerd Rienstra, CEO Eurogiro.

IAMTN's main purpose is to promote the interests of the money transfer industry. Its main functions include representing the industry to multi-lateral organisations such as the World Bank and to regulators, sharing of information on developments in the industry, providing a forum for operators to meet and exchange ideas and working with trade associations in connected industries to ensure an efficient and effective remittance industry exists that enables companies to operate in a manner that provides the customer with what they require and at the same time generates a return for the operators.

There has never been more attention on the world of international remittances. The market has grown to be valued at over \$328 billion in 2008<sup>1</sup> from a base of around \$100 bn in 2000. This rapid growth has attracted interest from a wide range of groups including new entrants offering remittance services and also from governments and multi-lateral organisations. This interest is definitely to be welcomed although it does bring pressures. The G8 now has remittances firmly on its agenda. It sees remittances as a massive opportunity for good as they are the most effective method of moving money to rural areas in developing countries and as a tool to encourage financial inclusion – the majority of receivers of remittances do not have any sort of banking relationship. On the other hand the G8 is also putting pressure on all stakeholders to reduce the costs associated with remittances from around 10% currently to 5% within the next 5 years. This is quite a challenge but there is commitment to improve the operating environment for remittances through areas such

as improved regulation and access to markets.

The other key trends that we are seeing in remittances currently are:

- Increasing focus on the benefits of new technology including pre-paid cards, on-line payments and mobile technology. Mobile payments have become a hot topic and many observers think that this will be the step-change for the industry. However, nearly everyone accepts that whatever the opportunities for mobile payments there will still be a need for cash to cash payments.
- Regulatory changes – in many markets more regulation is being introduced to control which types of businesses are able to offer remittances whether they are cash remittances or mobile payments. There is an inconsistency of regulations which makes it difficult for operators.
- New entrants – the last 10 years has seen many new entrants due to the growth and earning potential of the market. The current financial crisis has slowed this a little but expect it to continue as the market improves.

So what changes might we see in 5 years? We are likely to see a very crowded market place where you can transfer money to all the corners of the world using a variety of methods including cash-to-cash payments and your mobile phone. The mobile phone will be very popular in a few markets but will not be ubiquitously used. You will be able to send and receive money from your home, your phone or a physical location. Importantly banks from receive countries will be widely represented in the send markets.

Critically, remittances will become more commoditised and the real business opportunities will be in linking the transferring of money to the elements that the money is spent on.

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<sup>1</sup> Source – World Bank 2009



## Activity Calendar Autumn 2009

### 3 – 4 November 2009

WSBI 12th Postal Savings Bank Forum in Brussels, Belgium; meet Eurogiro representative

### 15 – 16 November 2009

FELABAN Annual Assembly in Miami, USA; meet Eurogiro representative

### 23 – 24 November 2009

IAMTN Conference on 'Remittances' in London, United Kingdom; hear Eurogiro speak

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