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## Collaboration: Solution for the ‘first/last’ mile for remittances?

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### ABSTRACT

*This paper explores the idea of using a cooperative approach in order to develop workers’ remittance services, using the network of postal services in order to provide an attractive and viable solution for remittances from migrant workers to their families and communities. It outlines briefly the characteristics of the current workers’ remittance market, including the expectations of the customers. It acknowledges that ‘certainty’ and ‘reliability’ and ultimately ‘access to cash’ remain essential requirements. Because the post office network around the world is twice the size of the combined banking branch network, and deeply embedded in public service structure, it is extraordinarily well placed to play a key role in providing viable services to the benefit of customers and communities as a whole. The paper describes the current status and explores how a cooperative approach which would link Posts to banks, to payment providers and to technology partners of a similar type, could effectively release potential. It elaborates on the various issues that must be considered in order to secure a comprehensive approach. It distinguishes between issues that can be handled within a global community/network and issues that currently seem better handled in partnerships. Finally, the paper lists three challenges to success that must be tackled in order to release full potential.*

*Keywords: workers’ remittances, Posts, collaboration, bank settlement, new technology, mobile payments, cards, first/last mile, payment providers*

### INTRODUCTION

Workers’ remittances have grown steadily and at very impressive rates over recent years. At the same time, they have proved less volatile than most other financial transfers. It is no surprise that many types of institution have focused on this business. This has resulted in many different solutions but they all face the challenge of reaching each and every citizen with the funds, not least because, even today, most remittances are eventually paid out in cash.

An extensive structure of outlets, accessible in rural as well as urban areas, open to any type of customer and trusted to handle funds reliably and cost-efficiently, is crucial to providing the necessary reach. The Posts are uniquely positioned to offer such reach. Their reach is twice as widespread as that of all the banks combined; they are connected, and have a long record in handling cash and offering workers’ remittances.

Nevertheless, the postal organisations are not very visible in the arena of global remittance, although bodies such as the World Bank (WB) and International Fund for Agricultural Development (IFAD) recognise that they are capable of taking a key role in serving any citizen, even the unbanked in rural areas of a developing country.

This paper elaborates on how using a cooperative approach to building a workers’ remittance service using the Posts can provide a viable solution for remittances from migrant workers to their families and their communities at home. The key components in such an approach are a combination of:

- global cooperation between Posts and a variety of private entities;
- a focus on cost efficiency across the processing chain; and
- the use of state-of-the-art technologies.

The paper also touches briefly on the challenges to realising the highest potential.

### REMITTANCES ARE INCREASINGLY ATTRACTIVE, BUT IS IT POSSIBLE TO SECURE A GOOD, COMPREHENSIVE SOLUTION?

The focus here is on empowering the provider of comprehensive reach, rather than on what might be achieved when focusing on a single product, or a network or a technology. To unleash the potential of the comprehensive reach, Posts and private entities must cooperate.

### The workers’ remittance market in general

According to World Bank ‘Outlook for Remittance Flows 2011–13’,<sup>1</sup> the market is quite attractive to service providers and important to the citizens and communities involved for a variety of reasons, the most important being:

- Workers' remittances into developing countries have grown steadily in recent years, with growth levels of 21.1 per cent before the crisis, and are expected to remain at a lower but sustainable growth rate of 7–8 per cent annually during the period 2011–13.
- Globally, workers' remittances are expected to reach a value of US\$536 billion by 2013 and have already recovered to the pre-crisis level of 2008. Despite a drop in 2009, they have been extraordinarily resilient to the effects of the global crisis.
- Remittance flows are an important source of external financing in developing countries, and increasingly so after the recent decreases in foreign direct investments due to the crisis.

The market<sup>2</sup> is characterised by the two largest single service providers, which hold about a fifth of the market. These are Western Union (with an estimated share of approximately 17 per cent in 2009) and MoneyGram (with approximately 4 per cent, also in 2009). No other single provider is assumed to have more than 1 per cent of market share.

The Posts, when providing financial services under their 'post office' label, have not been able to achieve a more distinctive or recognised role as remittance service providers. However, usage of the postal network as agent network has been instrumental to the growth of Western Union and MoneyGram over the last 15 years.<sup>3</sup>

Furthermore, a very large part of the remittance market is apparently owned by 'informal players'.<sup>4</sup> The existence of a large, unregulated and non-transparent market for workers' remittances is of significant concern to financial regulators and to the World Bank.<sup>5</sup> In particular, as awareness of the size of the workers' remittance economy has grown, it has become evident that in some countries the contribution from citizens sending money home matches (or exceeds) the inflow from Foreign Direct Investments.

The World Bank has taken several initiatives to encourage the creation of a more transparent and efficient remittance market. Most noticeable is the comprehensive market data, the 'General principles for international remittance services'<sup>6</sup> and the data catalogue of remittance prices.<sup>7</sup> All are distinct and helpful initiatives for market participants.

In line with the World Bank general principles, the Dodd-Frank Act in the USA<sup>8</sup> introduced new provisions to protect consumers purchasing remittance services out of the USA, provisions which — owing to the fact that the US is one of the largest senders of remittances — will have the potential to redefine standards for any remittance across the world.

Both these initiatives focus on securing full transparency at the time of initiation on all factors influencing the cost and quality of the remittance. These requirements include information on all charges, FX rates, pay-out amount, and error resolution. Requirements of this kind put enormous pressure on remittance providers and favour providers who control the full payment chain, typically global banks and money transfer operators.

The growth in the market, and the fact that a very large part of it is served with diverse and non-transparent services, is also the driver for most players in the market. Many have recognised an attractive business opportunity and approached it with a variety of services. Nevertheless, these are quite often expensive for customers (for instance, the premium and instant money transfer services from the typical money transfer operator), or they require accounts (as do the EPC SEPA or IPFA services), or internet access (like PayPal), or mobile phones or access to card point of sales. Again, none of these solutions provides reach to all citizens.

Before examining how the postal network could be instrumental in providing the general public with broad reach, here is a short overview of consumer expectations of a worker's remittance.<sup>9</sup> The general requirements are:

- security of delivery;
- a fair and transparent price; and
- convenience.

Regarding the requirements of the receiving customer, he or she is looking primarily for convenience (being able to collect cash and to avoid tedious travel, paperwork and complicated procedures), security and no fee deduction. The feature of 'same day' or 'instant speed' is increasingly seen as a requirement. But this could also be as a means to increase security. The real demands are 'certainty' as to when funds will be delivered, the amount that will be paid to the recipient, and that the funds can be collected in a safe environment.<sup>10</sup>

It takes a secure and trusted physical presence, close to the consumer, to meet most of the above requirements, and since most workers' remittances are still paid in cash,<sup>11</sup> a full reach requires a cash pay-out service (and often also a cash-in service). It will take a variety of sophisticated solutions to meet the requirements of consumers as they gain access to new communication channels such as mobile phones or internet.

## **EXCELLENT REACH VIA THE POSTS — IF THESE ARE FORTIFIED AND MODERNISED**

The total network of post offices worldwide is about 660,000, or more than twice the total bank branch network.<sup>12</sup> The postal organisations have other advantages as well:

- They are accessible: in rural as well as urban areas, to any customer, regardless whether the customer has an account relationship or occasionally walks through the door to purchase a transfer.

- They are as 'stable as the government itself'.
- They have a long record as trusted partners, not only for mail and parcels but often also for financial services. In many cases, they have an obligation to serve the general public with reliable and efficient services, often with a particular obligation towards the less well-off segments of the local society. Generally, short-term profit is not a key driver.
- They are known by everyone in their respective countries

What might be less well known is that the Posts were among the first to cooperate on a common international remittance service. The first agreement for the postal Money Order was signed in 1878 by the members of the Universal Postal Union (UPU). It was created to secure an affordable money transfer for the poor. Since then, the Posts have cooperated on international money transfers.<sup>13</sup>

However, the traits above that mark the strengths of the postal network also point to some of the weaknesses that have plagued postal organisations over the years. This might explain why they have not gained a more prominent position for themselves in the global remittance industry despite their obvious strengths and long history.

The most important single factor contributing to this situation is the fact that Posts are not primarily business-driven, unlike their competitors in the remittance arena.

This affects all aspects of the governance of Posts and has put the postal organisations at a disadvantage in relation to retaining profits from their services and making long-term investments in infrastructure, product enhancements, staff, and marketing. Consequently, the challenge for the Posts today is to maximise the use of their physical network and secure a competitive technological standard in order to do away with their reputation of being somewhat outdated.

There are many examples of individual Posts being successful in providing the public with attractive financial services, including cross-border financial services such as workers' remittances. Going into more detail with these examples is outside the scope of this paper and has been investigated thoroughly by the World Bank and the UPU. However, some common features of the successful Posts should be emphasised, as they point to some key components of a viable solution.

First of all, these Posts have made it their highest priority to serve the general public by providing efficient and affordable services, and have invested substantially in their infrastructure to meet customer and regulatory requirements. Quite often the Posts have been frontrunners in promoting financial inclusion. Additionally, they have also cooperated extensively with other organisations, Posts as well as non-Posts; and finally they have embraced new technology and methods in a broad sense as a means to compete for customers. And they have been given the freedom to do so by their owners. Successful examples are La Poste/La Banque Postale in France, Correios in Brazil, Poste Italiane, and India Post.<sup>14</sup>

The vision behind this paper is to see Posts regaining a powerful role in their communities. Based on their unique presence throughout the country, they should regain their place as leading providers of affordable and simple financial services to all citizens, including those living abroad. This would greatly benefit citizens as well as local communities in many developing countries. Posts would serve as entry point and basic infrastructure for simple financial services. These services could begin with payments and eventually be expanded to include accounts, loans, insurance, mortgages, etc. depending on what would provide most value to the community in question.

How can that vision be achieved? The Post office network is the backbone, payments services such as pensions, bill payments and workers' remittances are the first steps, and cooperation to secure reach and technology are the means.

At a national level, each Post must define with its owners and regulators how the Post can take a role in improving the infrastructure and the services offered to support the domestic agenda of protecting consumers and providing financial inclusion. The Post's role would need to be integrated with the existing role of the banking sector and money transfer operators. It would lead to increased competition, though probably most of the new postal business would be won from 'informal players', which are not complying with quality or compliance standards of regulated service providers. Being a low-cost provider of basic services to any type of customer, the Posts are natural entry points for customers currently using 'informal services'.

The remaining part of the paper will explain what can be gained from engaging with a global community of payment specialists and how specifically-selected partnerships can act as a lever to bring Posts to the forefront, where they can create improved conditions for remittance customers around the world.

## HOW TO LEVERAGE THE STRENGTHS OF COLLABORATION

Over the years, there have been many examples of financial institutions that have benefited from cooperating across the borders to establish their desired reach for their services. The UPU of the Posts, SWIFT and European Payments Council (EPC) of the banks are obvious examples of cooperation that have brought huge benefits to their participants.

In order to benefit from the exceptional reach of the postal network, a model must be created that empowers the Posts to maximise the benefits of their unique strengths. To be competitive and efficient takes a multi-level

approach, which requires strong cooperation across borders. Ideally, such a community would take the best from the postal world and combine it with the best of similar types of financial institutions, service providers, technology providers and others. Such a model should be an open structure, enabling cooperation between different entities, and yet a structure that is able to create the efficiencies of a closed structure or single provider processor. There are several components to such a 'co-petitive' solution.

First, Posts need access to a reliable, modern and cost-efficient network for exchange of payment transactions. This network should connect Posts to every citizen all over the globe. It should deploy the most efficient network management tools and security standards. Using the internet for (part of) this network would be feasible. This is a huge challenge and no single existing network does this today, so it is necessary to expand the existing networks used by Posts today and to connect to other networks to create such coverage.

Secondly, Posts need to agree on a common set of operational standards that will secure consistent quality, cost efficiency and transparency in the exchange. These must include message standards, service level agreements for exchanging services, and settlement arrangements for the most commonly used currencies.

Whatever in- or out-payment channel the customer demands should be possible using the network, regardless of whether cash, accounts, card or mobile devices are used as the interface with the customers.

All aspects of transaction handling must be covered, including error handling, and must be done in a way that meets the Posts' requirements for cost efficiency throughout the process. Obviously, the Posts must be enabled to comply with remittance-related regulation. A common, central monitoring of, for example, Straight-Through-Processing and adherence to quality agreement, serves as a powerful driver for quality improvement and cost efficiency.<sup>15</sup>

The Operational Advisory Group in Eurogiro serves as an example of how a working group in a community creates value by offering a central governance structure for maintaining standards and operational rules. Eurogiro members have taken advantage of considerable cost savings owing to schemes developed by the group, for instance:

- bulking of messages and single point of entry settlement schemes;
- service standards for products suitable for remittances, which comply with transparency requirements in relation to charges, information sharing, FX and the like;
- standards for 'error and exception handling', which enable automation and adherence to transparency requirements;
- designing a test programme for regular monitoring of Straight Through Processing and also member adherence to quality agreements;
- handling of special market events like the introduction of the euro and the 'year 2000' issue;
- awareness sessions and training events to increase knowledge in the Eurogiro community.

The acceptance of these provisions has been largely dependent on a strict policy of adhering to *de facto* (SWIFT) standards for payment handling and dominant market practices, albeit with the objective of securing cost-efficient handling of mass payments. Whether such a practical approach to governing standards is sustainable on a large scale depends on the support it will gain from its users and the available alternatives.

The settlement of any currency requires cooperation with banks with global coverage. This is an area where Posts benefit greatly from working with banks and adopting established banking standards. The banks have the service, and the banking infrastructure has been designed to minimise risks all through the payment system. The 'value date' settlement, substituting settlement before or after the transaction exchange, is an example of this.

A similar case is that of handling Foreign Exchange (FX). With the provisions of the Dodd-Frank Act and the World Bank remittance principles, it is preferable if the FX rates to be applied to the transactions are known at initiation of the transaction. A precondition is a proper multi-currency settlement solution, which can be provided only by a truly global bank. There are available today combined settlement and FX services that enable Posts to meet the earlier mentioned very tough requirement from the World Bank and the Dodd-Frank Act to provide an ordering customer with full transparency on FX rates applied, as well as on the amount to be paid out to the receiving customer. This implies a centralisation of the settlement and FX handling, while it allows the Posts to maintain control of the rest of the payment service.<sup>16</sup>

Furthermore, other areas where Posts would benefit extensively from cooperation with non-Posts are 'Know Your Customer' and 'Anti Money Laundering (AML)/Anti-Terrorist Funding (ATF)'. Owing to the strict regulation of banks today, many banks employ automated solutions that Posts are still struggling to implement. On the other hand, banks, money transfer operators and other remittance providers, may take advantage of the level of expertise in secure handling of financial transactions that Posts typically have in comparison with other agent networks such as petrol companies, food store chains, newspaper agencies, mobile operator networks and the like.

A third requirement is access to consultancy, training, network management services and test certificates. Posts around the world come in a huge variety of shapes and stages of technological development. Being able to draw on a pool of experts in payment processing with experience from other institutions or from other technology platforms is very helpful. This can be provided by a central unit, but also by other members in the network. Furthermore, they may be provided on commercial or subsidised terms, depending on the situation of the Post in question.

Another necessary element of the kind of sustainable community needed is the provision of common business agreements. These can be either model agreements<sup>17</sup> for bilateral connections, or more effectively, multilateral agreements that leave only a minimum to be considered each time a new relationship between members in the community is formed. The multilateral agreement design should emulate a closed network or a single provider structure, while maintaining an open structure between like-minded service providers and towards customers. A precondition for this to work is access to rich directories of data on members. These should include relevant Know Your Customer data, local terms and conditions, and a secure place to post remuneration information.

The community must also ensure that it remains dynamic and future-proof. This could be done by ensuring that knowledge and expertise is easily shared across the community. Essential elements in such a structure are specialist or development groups of members and partners, which monitor, advise and prepare the community in matters such as:

- operational enhancements;
- network security;
- AML/ATF compliance requirements;
- development of new services to meet constantly changing customer demands.

It is advisable that matters of network security and AML/ATF compliance are considered regularly by the community management to secure proper governance. This team should have close ties to the management of the members. However, each member must be able to influence the shape of the community. Such a community is also well served by a dedicated service staff, which takes care of processes, as well as community and administrative matters.

On a different level, such a community should consist of organisations that share business interests in providing cross-border payments to the general public. Each should adhere to the principles of providing mutually good, transparent quality and cost-efficient processing, based on the principles of equity and fairness.

## **PARTNERSHIPS AS A LEVER TO MEET THE CHALLENGE OF SPECIALISED NEEDS**

A community of like-minded organisations can establish a backbone for global remittances under its own control. However, partnerships are a natural choice when the object is to provide easy and cost-efficient reach to specialist channels or to niche services. Many postal organisations have formed their own partnerships with remarkable results. Interesting examples of such successful bilateral partnerships are La Poste, France, with Western Union and Poste Italiane's launch of mobile payments (*'Poste Mobile'*) which uses the network of Vodafone and combines it with services from MoneyGram.<sup>18</sup>

The beneficial impact is multiplied however, when such partnerships are made at community level. An example: in 1998 Eurogiro and Western Union formed a partnership, which engaged Posts as agents for Western Union's instant cash product. This partnership facilitated use of the post offices as a last (and first) mile distribution network, and offered the option to interface via the Eurogiro infrastructure. Since then, much of the growth in Western Union's international cash payments has been generated at post offices and the Posts have benefited in terms of income, foot traffic and marketing.

This service replaced the postal Telegraphic Money Order at many Posts. Some Posts also experienced a *de facto* outsourcing of most of their remittance business,<sup>19</sup> mainly because the Posts' agent network was often supplemented by the enrolment of other types of agent who were providing the same services in the particular country, while the Posts had often signed exclusive agreements with the service owners. The premium-priced, instant service took over much of the market of the Postal remittance products. There are examples of Posts prospering from partnerships with several money transfer operators at the same time, as well as offering their own, eg Al Barid Bank in Morocco. Whether third party providers of money transfer services to the Post will permit the Post to cooperate with competitors or to offer their own competing services will depend on the business case, including the competition within distribution power. However, other factors affect this as well, such as owners (or regulators) preventing Posts from making exclusivity agreements and a general market trend against exclusivity agreements.

A partnership with one of the major card providers to lead the way to a general use of the card infrastructure by postal community members would be promising. Pre-paid cards are especially well suited for the pay-out of workers' remittances, since they do not require account relationships and can be cashed in ATMs or even in some post offices. At the 'last mile', this would mean additional foot traffic into post offices and opportunities for cross-selling of other financial services. At 'first mile', post offices could sell remittances to account-holding customers or to walk-in customers paying cash at their counters. Card providers, on their side, would benefit from the opportunity to offer card-issuance or card reload and cash-out services at a broad network of physical locations. Again, Poste Italiane has been a frontrunner in this type of bilateral arrangement, but taking it up at the community level and reusing the existing postal networks for transaction exchange should speed up the time it takes to market globally.

Similarly, a partnership on community level with a mobile service provider could provide Posts with an opportunity to supplement their remittance offerings in the 'first mile', and utilise their postal network as agents for paying out mobile remittances in cash, or as a supplementary channel to serve the 'last mile'.

The mobile opportunity is currently less mature than the card option, but that may soon change. The technology is already available, the mobile service providers are keen to gain a slice of the remittance market, and the fact that the number of mobile phones already far outnumber the number of bank accounts, will drive the business forward. Again, at some point, access to cash from a physical network will be critical, and regulators will want these outlets to be trusted financial operators. This could allow for yet another interesting partnership for Posts to make at the community level, to leverage the existing network and expertise.

One significant hindrance to speedy and cost-efficient implementation of new services such as card or mobile-based payments has been the often out-dated (or non-existent) technology deployed by Posts at their post offices. Therefore, a partnership with a technology provider, which could bring the latest methodology and technical capability to the table, could provide a vital piece in the puzzle of how to maximise the potential of the extensive physical network of the Posts.

One model that appears to have the potential to empower the post offices in providing the 'last mile' in workers' remittances is the use of 'open architecture'. This enables central processing via web-access and fast deployment of many types of outlet. Additionally, it offers a flexible, open structure for host-to-branch connectivity with little or no changes<sup>20</sup> of hardware or software after first purchase. This is basically an online platform which can integrate disparate services and deliver them through a unified channel from a single, network-management portal. Control of this portal may be defined according to the Post's wish to maintain control or to outsource to ramp up quickly. The platform can be duplicated or shared by separate legal entities, so smaller Posts can share the investment. The main requirements for such a model are:

- complete tracking of all transactions, alerts, and statuses to secure highest security and compliance (in accordance with prevailing standards);
- availability of all data at a central location with easy access;
- quick and easy delivery of new services due to roll-out from single portal;
- minimisation of IT personnel requirements at the branch;
- customisation of any services that are deployed at each branch or 'outlet'; branches could be physical outlets, kiosks, tablets, ATMs, and even web or mobile phones;
- online portal for monitoring, reporting and reconciliation;
- option to enlarge branches with self-service units like kiosks (or mobile phones) so that opening hours can be 24/7;
- customisation of transactions to accommodate services defined by the Posts

Figure 1 Open architecture technology overview

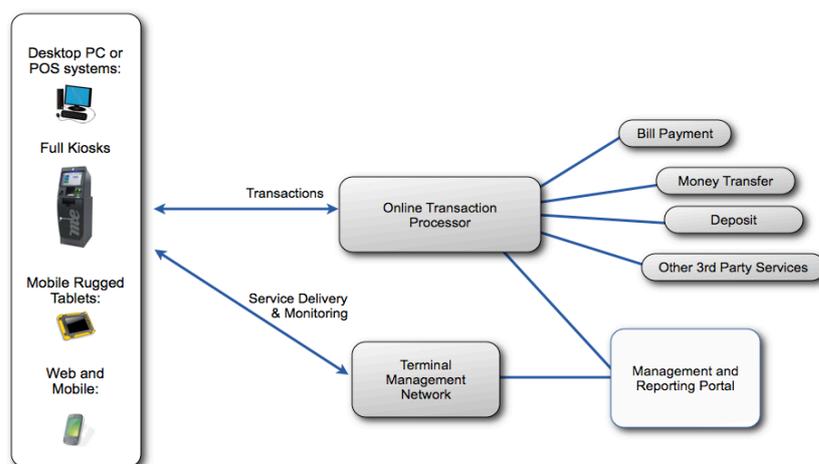


Figure 1 shows how an open architecture using 'open architecture' and web-based management could look. It should enable secure, scalable, and adoptable transactions. Ideally, any postal financial service may be delivered via the structure: domestic, international, community-based services or services offered by particular service providers, etc. The customer may be served at a variety of terminals, staffed at post offices or kiosks, mobile phones, or websites.

Posts deploying such a model should carefully consider the advantages of outsourcing the management of their last mile (and first mile) infrastructure and balance short-term wins (fast and easy implementation) against the value of retaining full ownership of the infrastructure. There are many sub-models for such deployment.

Speaking of a different sort of collaboration, Posts may gain from establishing close contact with the national regulatory bodies. Posts can be instrumental in meeting public objectives for financial inclusion, and in securing a low-cost and AML/ATF-compliant payment system. The Posts would benefit from regulation that supports their development into open, advanced and competitive financial institutions acting on a level playing field with other operators.

Finally, some Posts with particular needs may benefit from a partnership with enterprises like International Fund for Agricultural Development (IFAD) which can provide funds for developing 'last mile' reach in areas with special challenges (mainly rural areas in developing countries). Again, a community approach to setting up such development projects could result in shorter implementation times and better impact on reach.

It is yet to be seen, however, whether the Posts as a whole will be able to unleash the full potential of their unique position to provide the last mile reach for workers' remittances. If they do, it would have advantageous impact, not only on workers' remittances, but on any type of transaction to the consumer, such as payroll, pensions, and insurance payments.

Their success will mainly depend on their answers to the following three questions:

- (i) *To what extent will Posts be able to initiate a business focus of 'serving customers', while maintaining their original position of service to the general public in a secure, trustworthy and cost efficient manner?*  
Critical to this end is the willingness of the owners of the Post to invest in it, and to grant the Posts a free hand to develop their services on market terms. Similarly, the resolve of the Posts and their ability to market services using their own brand will be important. The histories of the European Posts can testify to the importance of this aspect.
- (ii) *To what extent will the Posts be able to embrace new technologies and new methods?*  
Openness to partnerships of all kinds, and the ability to exercise strong governance will determine the success in this area. Much of the technology is already available, and many private IT companies are keen to cooperate with the Posts. Several global banks are also keen to service Posts. On a different note, the relationship between a Post and its local regulator could be instrumental in Posts retaining their role as key and trusted partners in financial services. The common ground as a public entity will certainly prove useful in this respect.
- (iii) *Will Posts be able to take advantage of like-minded entities and continuously collaborate to speed up the launch of new services?*  
This will depend on their commitment to engage with other community members and their performance as business partners. Many Posts have led the way in their domestic arena, but there is still a great potential to realise before the postal network can offer full global reach.

In any case, the Posts are under increasing pressure to act to maintain their extensive and costly physical networks. Many different players in the payments market will court Posts in future to provide the much longed-for reach to everyone, everywhere. The Posts will be doing their customers as well as their communities an immense favour if they succeed in strengthening their use of the post office network. If not, a unique opportunity to secure full 'last-mile' reach may stretch a long way into the future.

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## REFERENCES AND NOTES

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- (2) Isaacs, L. (2009) 'New Channels for remittances: where do the opportunities lie? How will new technologies change the face of this rapidly expanding market?', *Journal of Payments Strategy & Systems*, Vol.3, No. 3, pp. 217–227. This paper also includes a useful description of customer expectations. Similar views are shared in the Annual Report of Western Union for 2010.
- (3) In the Eurogiro community alone in 2010, 30 postal members participated in the Western Union agent arrangement. The number of participants has grown steadily since the beginning of the cooperation (Source: Eurogiro). Similarly, Poste Italiane and MoneyGram have achieved a strong position by cooperating in the Italian remittance market.

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- (4) Western Union, Annual Report 2010 (see: <http://ir.westernunion.com/phoenix.zhtml?c=203395&p=irol-reportsannual>) speaks of 'significant competition' from informal networks, but without further estimates. It also maintains that more than 95 per cent of its 'consumer to consumer' transactions were cash payments.
  - (5) The World Bank does not use the terms 'formal' vs. 'informal' channels, but refers to the lack of transparency in channels where funds are brought across borders using unregulated means, perhaps based on oral agreements only. As an example, in 2009, 76 per cent of outbound remittances from South Africa were by 'friend or relative'/'courier, bus, etc'. See: World Bank and Bank for international Settlements (2007) 'General principles for international remittance services', available at <http://www.bis.org/publ/cpss76.htm>, and World Bank (2011) '[Leveraging Migration for Africa](#)', c2011 The International Bank for Reconstruction and Development/The World Bank.
  - (6) World Bank and Bank for International Settlements, ref. 5 above.
  - (7) World Bank (no date) 'Remittance Prices Worldwide', available at: <http://data.worldbank.org/data-catalog/remittance-prices>
  - (8) The 'Dodd-Frank Wall Street Reform and Consumer Protection Act' (see: <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/content-detail.html>) became effective in July 2010. It introduces a set of new provisions on remittances (eg in section 1073), the most far-reaching of which are the obligations for remittance providers to secure full transparency at time of initiation on any charges across the chain, full pay-out amount, FX rates applied for amounts above US\$15. This requires information sharing and common rules across the full chain, which is usually possible only with a single provider or closed networks, and very challenging for open service structures networks like the banking network.
  - (9) Isaacs, ref. 2 above.
  - (10) *Ibid.*
  - (11) Western Union Annual Report, ref. 4 above.
  - (12) This section draws on the paper by the World Bank (2011) 'Migration and Development Brief 15, Role of Post Offices in Remittances and Financial Inclusion', March, (available at: [http://www-wds.worldbank.org/servlet/main?menuPK=64187510&pagePK=64193027&piPK=64187937&theSitePK=523679&entityID=000333037\\_20110804020125](http://www-wds.worldbank.org/servlet/main?menuPK=64187510&pagePK=64193027&piPK=64187937&theSitePK=523679&entityID=000333037_20110804020125)), which is built on data from UPU and others. To quote the study, many of these posts signed exclusivity agreements with Western Union and Money Gram, which to some extent locked the use of the network for other purposes.
  - (13) World Bank, ref.12 above.
  - (14) *Ibid.*
  - (15) Based on the definitions of the Operational Advisory Group, the Eurogiro company has monitored the quality and Straight Through Rates of member transactions since its inception, and in the last 10 years, STR has been stable at around 95–98 per cent for credits as well as for cash payments. Overall, the continued quality focus has been one of the main reasons for the cost efficiency of members' cross-border payment services. Source: Eurogiro.
  - (16) Deutsche Bank offers its FX4Cash solution to the Eurogiro community as a 'multi-currency settlement solution'. Eurogiro members using this service have access to the applied FX rate for transactions settled using this service 24 hours ahead of the settlement date.
  - (17) Recent development within both SWIFT Workers' Remittance Initiative and UPU's newest Postal Payments Service Agreement includes such model agreements. Eurogiro introduced its model agreement very early in this century and has expanded the concept to a multilateral framework.
  - (18) For more details, see International Telecommunication Union (2010) 'ICTs, new services and transformation of the Post' [http://www.itu.int/ITU-D/tech/publications/Rural\\_Publications/dcc\\_livreUitEn.pdf](http://www.itu.int/ITU-D/tech/publications/Rural_Publications/dcc_livreUitEn.pdf), Universal Postal Union, Bern.
  - (19) World Bank, ref. 12 above.
  - (20) Whether the Post can avoid changing or updating software depends on how much of the infrastructure management is retained by the Post itself and how much is out-sourced to a vendor.(Eurogiro).

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## ABOUT EUROGIRO

Eurogiro was founded in 1993 by twelve European postal organisations. It is a Danish commercial company whose aim is to support and develop worldwide business relating to cross-border payments within retail and wholesale financial services. The Eurogiro community of members is the driver of business and new developments in cooperation with partners. Over the last twenty years, the company has evolved from a technological and operational platform into a trusted partner for cross-border payments of various organisations which share a dedication to payments at a global level. Key features are:

- More than 60 members from more than 50 countries – Posts, Postbanks, banks, Money Transfer operators
- The running of a proprietary network and a Closed User Group on SWIFTnet. Eurogiro is currently testing a link to UPU IFSnet

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- Partnerships with Western Union, Deutsche Postbank (EUR settlement) and Deutsche Bank (USD & multi-currency settlement and FX service provider), SWIFT, and Ganart technologies
  - Access to the network and service exchange which is provided via a multilateral agreement framework
  - Community bodies that govern standards for mass payments, SLAs, etc.
  - A variety of member services, venues and directories
  - Member in Advisory Committee, Public and Private sector on remittances at World Bank and of the board of IAMTN.
  - [www.eurogiro.com](http://www.eurogiro.com)

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