



EUROGIRO

News

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Strategic Postal Financial Seminar in Singapore

By organising a seminar with presentations from key players in the payments market, Eurogiro places the focus on development of postal financial services in the Asia Pacific.



■ With the overall theme “Strategy and vision for postal financial institutions in the Asia Pacific region” Eurogiro set the stage at hotel Ritz-Carlton Millenia in Singapore 4-5 March, where almost 50 delegates from 22 different countries participated. The primary objective of the seminar was to give key executives of postal organisations from the Asia Pacific region an opportunity to meet with each other and network with executives of major European and global payment organisations. Managing Director of Eurogiro, Henrik Parl underlined the great potential in cross border payments due to growth in population, immigration, wealth and trade which will lead to an increased demand for financial services and payments. “The postal organisations are well suited to exploit this opportunity as they have a dense network accessing all inhabitants, a reliable and well-known image, profitable products to support viability of the infrastructure and the ability to handle simple savings and payments products such as cash and account/giro transfers. The vision for postal payments is that postal organisations work together with alliance partners to harmonise international and domestic payments services for retail, corporate and institutional customers”, Henrik Parl said.

Deutsche Bank

John Ball, Managing Director and Head of Global Banking Division – Financial Institutions, Asia Pacific gave an overview of the Deutsche Bank Group worldwide and in the Asia Pacific with a focus on Deutsche Bank as a global payment provider. Deutsche Bank has good relationships with several postal agencies and is a major provider of US dollar payments world wide, and the service was explained by Catherine Syn, Director, Global Banking Division, Financial Institutions and Cash Management.

Japan Post

Yoshikuni Tanaka, Senior Manager, International Business, Postal Savings Business Headquarters introduced the participants to their cooperation on payment services in Asia Pacific and urged players in the region to share information and ideas and engage in discussions on service improvements.

Postbank/ING

A very informative presentation on the development from the origin and history of postal banking (savings and giro) to the postal financial services offered in 2004 was given by Hans Boon, Assistant Director and Head of ▶

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The Eurogiro network is an international electronic payment network and is the only electronic cross-border payment system which covers both postal and bank products. Eurogiro has 38 member institutions. Although Western Europe is the core area, Eurogiro now spans five continents. The electronic payment system of Eurogiro is administered by Eurogiro Network A/S in Copenhagen which also provides the organisational framework for the further development of the co-operation. The company is owned by 13 European members. Eurogiro Member institutions:

Austria: PSK/BAWAG • Belgium: Financial Post • Brazil: Empresa Brasileira de Correios e Telégrafos • Canada: National Bank of Canada • Cape Verde: Correios de Cabo Verde

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

Seminars, meetings and networking events

This year began with several important forums for postal and banking organisations providing opportunities for personal networking and sharing of ideas.

■ As a special feature in this issue only, we have added a section on the Strategy Forum successfully held in connection with the Eurogiro Board meeting in April 2004. Executives and senior management of postal and banking organisations discussed strategy trends in the payment industry and were informed of lessons to be learned from other industries facing consolidation. You will find these four pages in the middle of the newsletter.

For the Eurogiro members the TMO seminar in Copenhagen was an opportunity to be updated on this new cash product and to learn how to implement it in the organisation. The Asia Pacific Seminar in Singapore was held for postal financial organisations in the region and was a great success with nearly 50 participants from 22 different countries.

Equant connects Eurogiro members around the world and a migration from the X.25 technology to the more future oriented IP based solution will take place over the next year. We also have an article about Electronic Bill Presentment and Payment (EBPP) from the industry expert Mr Bruno Koch. You will find articles describing Western Union and its new agent in Turkey – PTT. And finally Deutsche Postbank has successfully finalised its migration of ESSP.

We hope you will find the many articles as exiting as we do and hope the information is of relevance for you and your organisation. Enjoy your read.



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

C O M M E N T A R Y

► International Consultancy. He reported that today 60 countries already have active postal bank institutions and another 80 countries are initiating reforms and modernisations to offer financial services through their post offices. Furthermore, an in-depth analysis of the Asian postal financial operators was given, concluding that remittances are a key opportunity to revamp postal financial services.

International Financial System

Sulemani M. Msofe, Director of operations and Technology, International Bureau, Universal Postal Union explained about the postal world wide electronic payment transfer network, International Financial System (IFS), which is presently live in 22 countries. IFS and Eurogiro are cooperating on a common money order product, TMO where the future vision is that IFS users and Eurogiro users will be able to exchange TMOs with each other.

Asian Development Bank

An overview of the Micro Finance Operations of the Asian Development Bank (ADB) was given by Nimal A. Fernando, Lead Rural Finance Specialist. ADB's vision is a region in which poor people have permanent access to all the financial services that they need through efficiently run institutions operating in a competitive environment. Postal financial institutions can be one of the many service providers. Current ADB operations have no link to the postal financial world; however this provides an opportunity that should be explored.

Deutsche Postbank

Dr. Susann von Gunten, International Relations and Payment Solutions, gave an introduction to Deutsche Postbank and its business. An important part of that business is Deutsche Postbank's role as the Euro Settlement Service Provider (ESSP) for the



John Ball



Nimal Fernando



Catherine Syn



Hikmet Ersek



Sulemani Msofe



Yoshikuni Tanaka



Dr. Susann von Gunten



Hans Boon

participating Eurogiro members. The ESSP gives the Eurogiro members easier reconciliation, less administration and more efficient liquidity management, all safeguarded by a high capacity system and security.

Western Union

The typical customers of Western Union are immigrants so Hikmet Ersek, Senior Vice

President, focused on migration trends in Asia in his address to the seminar Western Union is an alliance partner of Eurogiro and has more than 59 postal partners and 207 bank partners around the world. More than 30 million Asians live outside their country of origin, thereby creating a huge market of remittances to be exploited by the postal financial organisations.

More information

All the presentations from the seminar can be found on the Eurogiro website <http://www.eurogiro.com> via the link in the right-hand menu on the welcome page. More information can be retrieved by contacting Eurogiro by email eurogiro@eurogiro.com or by phone +45 4371 2772.

Deutsche Bank and Deutsche Postbank sign agreement on payment transactions

Starting in July 2004, Postbank will process the German domestic and parts of the foreign payment transactions for Deutsche Bank. An agreement on this was signed 6 April.

■ For both institutions, this cooperation is one step in the implementation of their strategic objectives: Postbank is continuing to expand its Transaction Banking business. Deutsche Bank will be able to concentrate even more on its core businesses. For the banks' clients, nothing will change. Their accounts will continue to be kept, as before, with their respective banks.

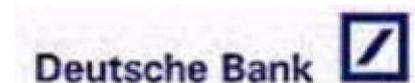
Postbank is already one of the market leaders in payment transactions with approximately 10 million transactions per day. Based on today's agreement to handle Deutsche Bank's payment transactions, along with Dresdner Bank's payments, agreed upon in March, Postbank will have a market share of over 15% of the domestic payments in Germany. Postbank intends to continue to expand the role it plays in transaction banking by offering its services to other credit institutions.

"Thanks to our streamlined structures and our modern technology, our partners can reduce their costs in payments and we can generate additional revenues. Our objective is a standardized payment transaction platform in which other client banks can be integrated," emphasized Professor Dr. Wulf von Schimmelmann, Chairman of the Board of Management of Deutsche Postbank AG.

In return Deutsche Bank will act as correspondent partner for USD-payments worldwide and EUR-payments outside the European Union. The agreement will not touch the actual EUR-payments of the existing Eurogiro partners. Deutsche Bank is thus strengthening its core competencies in offering global cash management solutions and the settlement of foreign payment transactions, in particular for institutional and corporate clients. Hermann-Josef Lamberti, member of the Board of Managing Directors and Chief Operating Officer of Deutsche Bank: "As part of the cooperation on transaction payments, we will contribute approximately 1.7 billion transactions per year. At the

same time, we are expanding our leading position in global cash management and clearing. As a result, both parties are advancing by taking concrete steps to achieve joint synergies in transaction banking."

In implementing the contract, the company "Betriebscenter für Banken Deutschland GmbH & Co. KG" (BCB) will acquire DB Payments AG effective on July 1. With registered headquarters in Frankfurt am Main, BCB is a 100% subsidiary of Postbank and will provide Deutsche Bank with payment transaction services to the usual high standard. The agreement signed on 6 April 2004 is still subject to the approval of the regulatory authorities.



The International Challenge of Electronic Bill Presentment and Payment (EBPP)

Every fourth letter mailed is a bill. However, electronic bills have now been granted equal legal status to paper bills in countries throughout Europe. Hence, nothing stands in the way of the replacement of paper bills. In German-speaking Europe alone, more than 100 million paperless bills are already being sent out through EBPP systems in 2004. International EBPP services represent the next big opportunity.



Bruno Koch, CEO of EBPP consulting firm Billentis

Significant changes occurring in the market

■ Europe's annual volume of bills amounts to approximately 23 billion. And roughly half of these bills go to businesses, where they are usually manually re-entered or scanned back into IT systems and further processed. This media disruption results in large inefficiencies and data quality problems. Compared to the total costs today, savings per bill of about 5 for bill issuers and 9 for bill recipients can be achieved per bill by automating through the use of EBPP. Many companies have recognized this potential, thus boosting market demand. Accordingly, around 50 businesses in Europe alone are attempting to offer corresponding EBPP solutions and services to their clients to exploit this cost-cutting potential. Based on a proprietary market survey in Central Europe in January 2004, EBPP network operators expect transaction revenues of 1.45 per B2B bill (0.60 from the bill issuer and 0.85 from the recipient). Given this potential, in most countries multiple businesses are attempting to rapidly build up an EBPP network as a hub for electronic bills. In Scandinavia, networks with more than 1000 participants have quickly sprung up, while in English-speaking countries such networks already boast nearly 10,000 users. Technology

companies as well as banks and electronic marketplaces are positioning themselves in this business segment. A number of postal service providers and postal banks are also active in this field.

Since the initial offerings a few years ago, the competitive situation has fundamentally changed:

- Electronic bills are now also recognized under the law.
- Many EBPP service providers are currently focusing primarily on large and lucrative bill issuers and recipients. They are quickly putting pressure on all other EBPP service providers, who do not want to lose their major clients.
- EBPP service providers can no longer focus solely on secure transport of notification from the bill sender to the recipient. In order to successfully sell their services versus their many competitors, they must also increasingly understand how these electronic notifications can be seamlessly integrated into the supply chain of bill issuers and recipients.
- Large companies very quickly need cross-border billing and payment capabilities. EBPP service providers must expand their offerings accordingly.

Models for international usage

Now that domestic networks have been built up, international solutions are in demand. The following scenarios are discernible today:

- Model 1: EBPP service providers serve both domestic and foreign clients through a centrally operated platform.
- Model 2: A standard application is installed in multiple countries and the local consolidators are connected point to point.
- Model 3: Multiple consolidators with local solutions using different technologies exchange bills through a common hub.

The initial EBPP service providers are productively employing Model 1 at the moment. Centralized operation has the advantage of involving very low coordination efforts. But country-specific requirements can only be

taken into account to a very limited extent since their application would require a degree of functionality that is hardly attainable. Consolidators using this solution are especially suitable for bill issuers and recipients with substantial international billing and payment needs and only modest domestic needs.

Initial examples of Model 2 have also been implemented. The local platform operators are independent and can carry out country-specific expansions. Cross-border data exchange is also possible. This model is favored by EBPP service providers who must serve clients with significant domestic needs as well as those with international needs. Model 3 most strongly takes into account the market structures that have arisen. In all industrialized countries, EBPP service providers already operate networks that are optimally tuned to the local conditions. By means of a centralized hub and mutually standardized types of invoice messages, electronic bills can be exchanged across borders. But determining the functionality of such a hub requires the involvement of numerous parties and is consequently very demanding. Moreover, the expected transaction volume is still limited. Thus the business case is not exceptionally strong for this model.

Opportunity for postal service companies and postal banks

Given the growing degree of globalization, the significance of cross-border EBPP services is rising rapidly. Service providers who want to continue assisting international companies with their billing and payment needs therefore have no other choice than to quickly and actively position themselves with internationally oriented EBPP services. This especially applies to service providers who already offer electronic and cross-border services. Otherwise, this gap will quickly be filled by competing service providers.

Additional information on the topic of EBPP is available at www.billentis.com

