



**Edgar, Dunn  
& Company**

*Management Consultants*

## **Regulation Compliance & Business Sense**

What Organizations Need to Know About Brasil in Comparison with Other Countries

**IMTC**

International Money Transfer Conferences

IMTC Brasil 2014

March 27, 2014

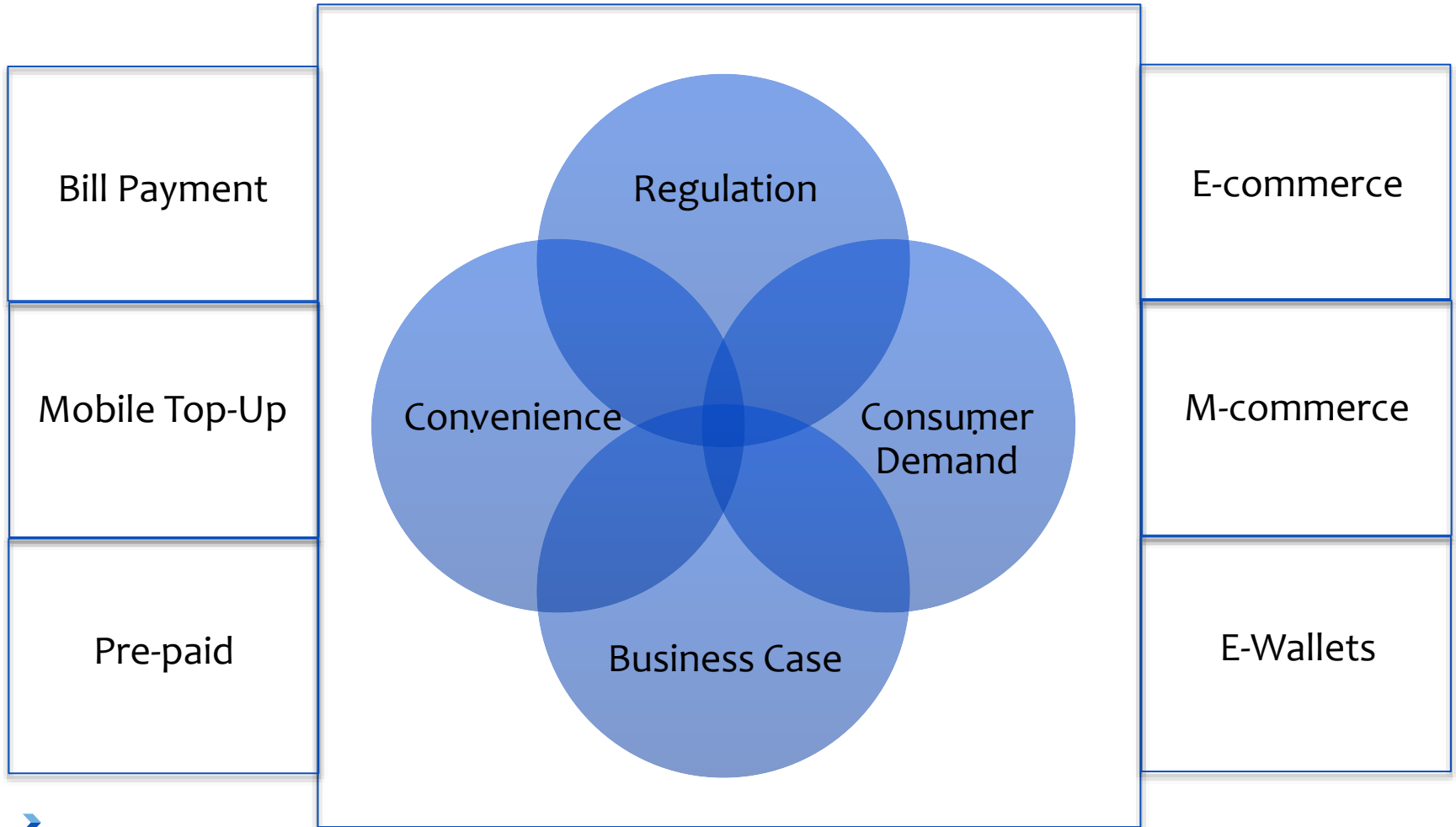
Presented by Jan Smith

Director Edgar Dunn & Company

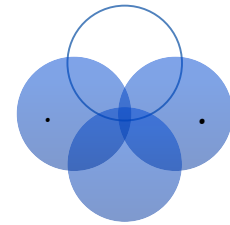
# Objectives of Comparison

Learning from other countries in order to shape compliance across differing spheres of need creates future opportunities beyond remittances

## Remittances & Adjacent Spaces



# Online Platforms: A steady swell of Internet and Smart Phone apps will attract new user segments and leverage changing customer technology use-patterns



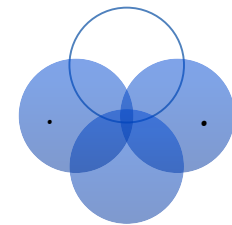
## Technology Penetration in Key Receive Countries 2008 - 2018

Top Receiving Countries	Mobile Phone Smart Phone			Home Internet		
	2008	2013	2018	2008	2013	2018
China	61% 6%	91% 11%	113% 26%	33%	47%	64%
India	62% 3%	89% 15%	110% 34%	7%	17%	45%
Mexico	70% 10%	94% 16%	112% 31%	23%	50%	61%
Philippines	89% 15%	106% 29%	111% 37%	22%	40%	70%
Brazil	79% NA	94% 31%	119% 41%	20%	47%	69%

**“We expect online payments to represent over 15% of our revenue by 2018” – Leading MTO**

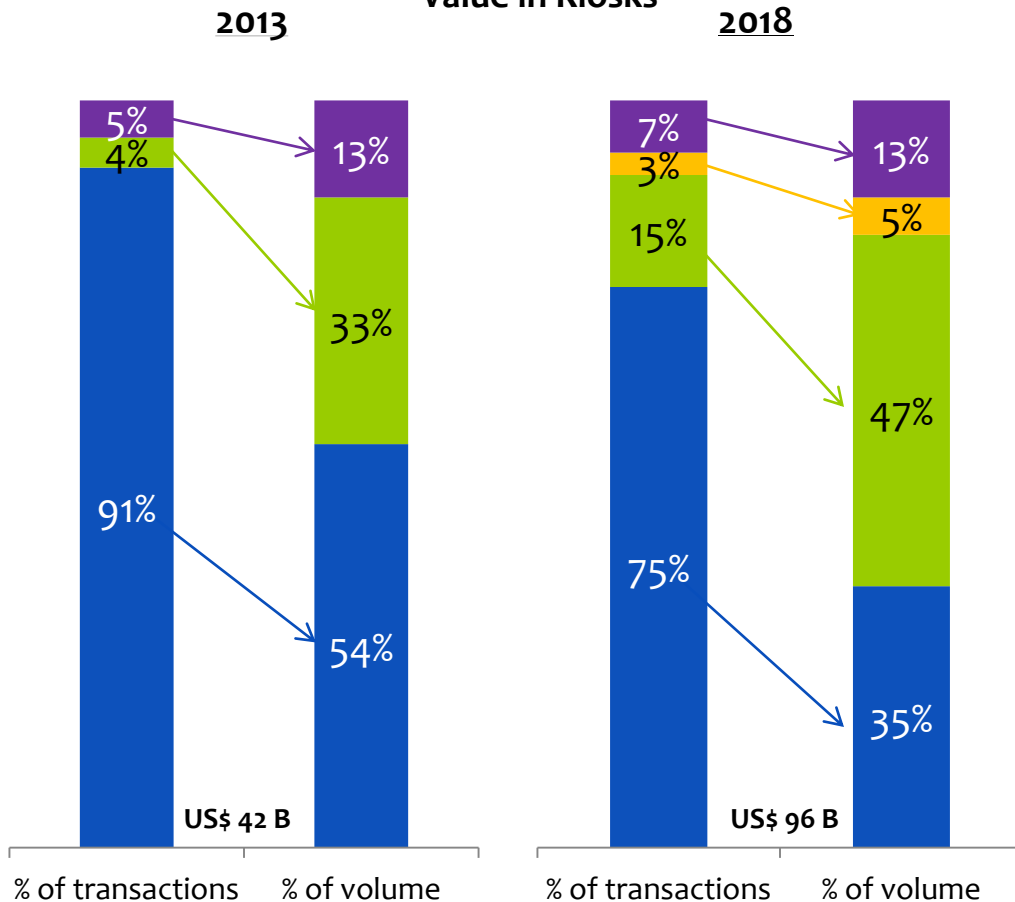
## Changing Customer Profile

- >50% channel growth in 2013 for leading MTOs
- Recipients are the strongest driver influencing choice of send and receive channel:
  - ◆ Increased banking penetration facilitates cash-to-account, and account-to-account services
  - ◆ Uptake of internet at home supports “safe” online transactions where before use of online solutions was hampered by lack of privacy and fear of eavesdropping in shared online access environments (school, work, café, etc.)
- In single parent households, the children, who are now often young adults, are increasingly assuming the role of recipient (taking over from spouse/parent)
  - ◆ Younger generation feels more comfortable with mobile and online technology
- Increased presence of middle class users who are comfortable with technology (e.g., U.S. to India or Japan to Brazil)



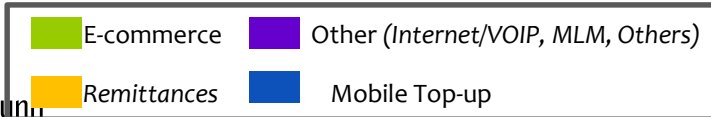
# Alternative Technology - Kiosks: Originally used for mobile top-ups, they are now moving in to value-added transactions, particularly e-commerce and remittances

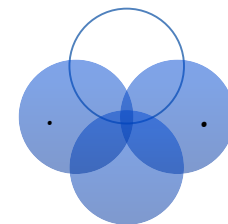
Global Relationship Between Transactions & Value in Kiosks



## Composition of the Kiosk Revenue Business

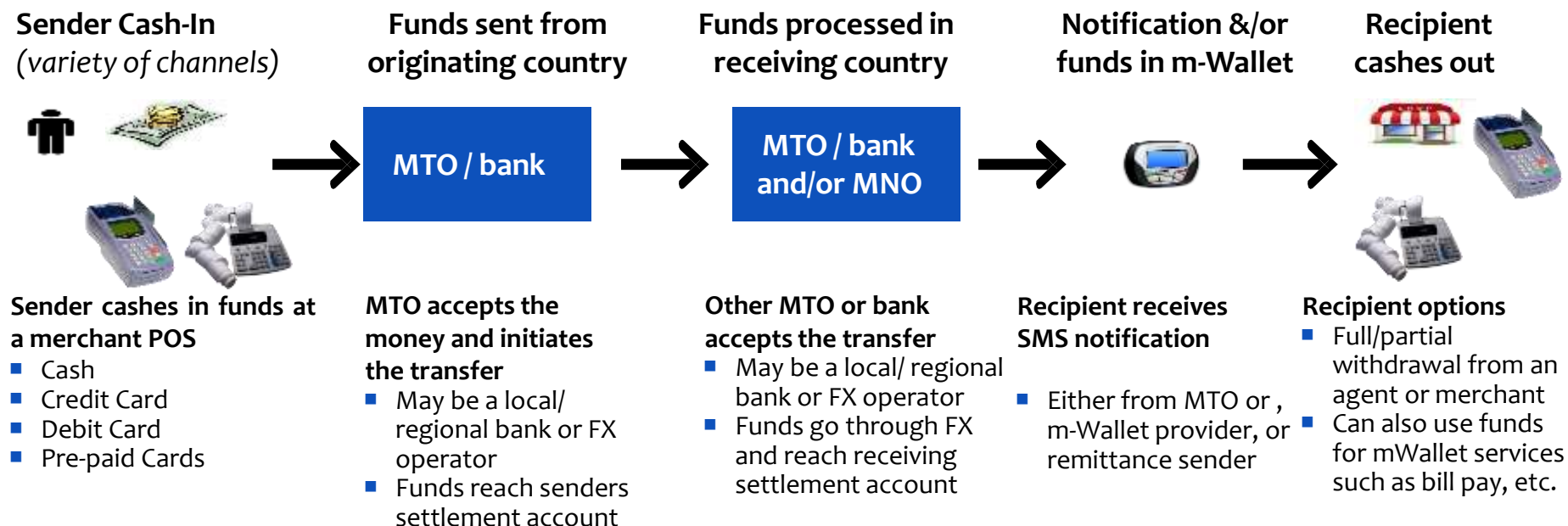
- Potential for \$5 Billion in remittance send volume**
  - 3-5% Remittances:** Acquisition of smaller players but legislation, compliance, and safety limits deployment in many geographies. Largest potential in Russia. Strong potential in Asia. Potential among key retail-agents. Constrained potential in Latin America. Examples: QIWI, Nexxo
- Mobile:** Less dependency and exposure on the traditionally core business due to modest growth potential and high risk of eroding margins
- E-commerce:** High growth opportunity with high margins and tangential opportunity in e-wallets
- Bill Pay:** Key growth pillar with strong potential and robust margins
- Advertising:** Leverage the existing infrastructure and CMR capacity





# POS Technology: Potential to leverage new software solutions to turn POS terminals into remittance channels with lower costs and fee structures

MTO serves as the foreign exchange and settlement partner; deployments typically use MTO as the sending agent but use an agent network on the receiving end.



## Case Examples

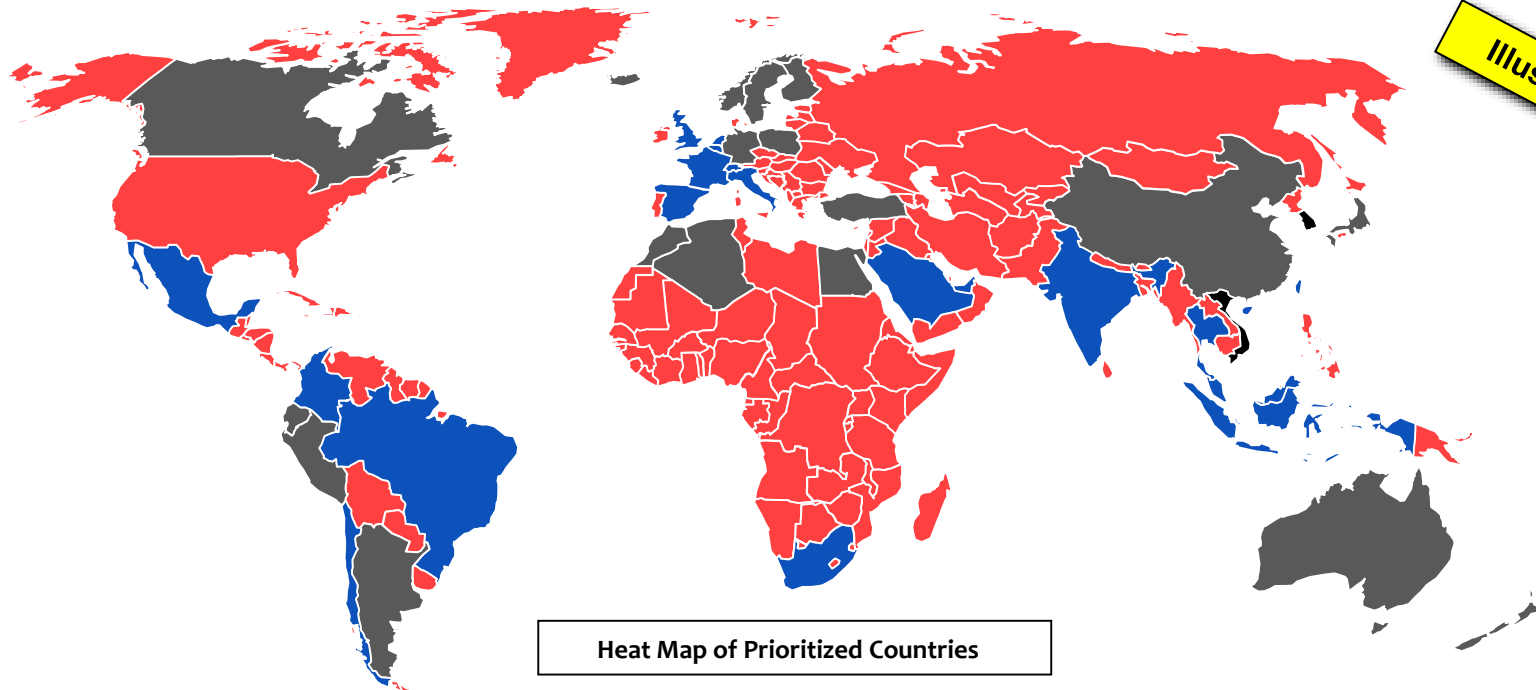


Deployment is recent and success of this business model is under evaluation

## Country Ranking Model:

# Our model can be customized to quickly evaluate countries' regulation and attractiveness to investment

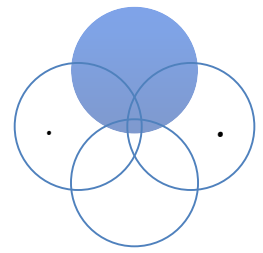
EDC's proprietary country ranking model includes a variety of macroeconomic and proprietary payments-related statistics for 100+ countries and the ability to configure the weighting of these statistical to reflect the unique requirements of QIWI's business



### SAMPLE OF QUANTITATIVE CHARACTERISTICS

- |                                     |  |   |
|-------------------------------------|--|---|
| • POS/ATM Infrastructure per Capita | • Remittance Flows   | • Technology Hubs                                 |
| • Estimated Number of Unbanked      | • Regulatory Openness  | • Estimated Size of the Informal & Cash Economies |
| • Retail Cash Usage                 | • Existing Usage of Card Payments (Credit, Debit & e-wallet) | • <b>Additional Criteria</b>                      |

# Singapore: Balanced role of regulatory agents and coordinated industry facilitate transparent KYC/AML and support a diverse payments ecosystem beyond remittances



Regulatory Engagement	Product Definitions	KYC/AML Standards	Payment Industry Coordination	Integration of Others
High	Developed	Developed	High	High

2010

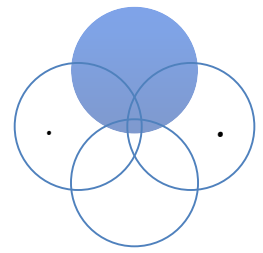


2015

Active Consultation	Future Proof and Adaptive	Allow Modularity	Unified Lobby Supports Ecosystem	Involve Tech & Legal Community
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- Inclusionary debates where new standards and technical characteristics are considered, leading to a dynamic payments ecosystem that includes p2p cards, NFC, and remittances.

# Guyana: Paralysis of regulators and unorganized industry response leads to blacklisting



Regulatory Engagement	Product Definitions	KYC/AML Standards	Payment Industry Coordination	Integration of Others
Null	Null	Low	Low	Low

2010

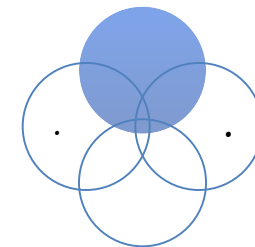


2015





# Germany: Embraced simplification as a means of fostering industry cooperation and development



<b>Regulatory Engagement</b>	<b>Product Definitions</b>	<b>KYC/AML Standards</b>	<b>Payment Industry Coordination</b>	<b>Integration of Others</b>
High	Developing	Mature	Medium	Medium

2010

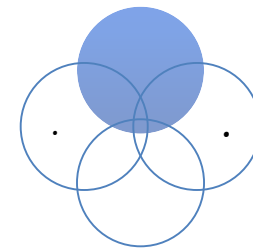


2015

<b>Active Consultation</b>	<b>2<sup>nd</sup> E-money Directive</b>	<b>Allow Modularity</b>	<b>Regional Consultative Bodies</b>	<b>Tax Incentives for Fintech Tech and Start-ups</b>
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- Simplified definitions as base for efficient growth and regulatory supervision
- Fostered private sector development to balance input

# Russia: Lack of clear definitions hinders responsible regulation and strangles flourishing payments and remittance market



<b>Regulatory Engagement</b>	<b>Product Definitions</b>	<b>KYC/AML Standards</b>	<b>Payment Industry Coordination</b>	<b>Integration of Others</b>
Pro-active	Developing	Developing	Low	High

2010

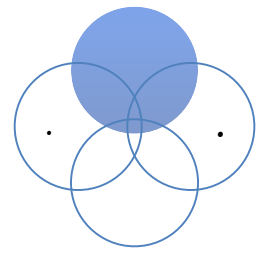


2015

<b>Limited Consultation</b>	<b>Very Limited</b>	<b>Cumbersome</b>	<b>Nascent and suspicious</b>	<b>Active Fintech Community</b>
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- Cross-border payments may be banned
- Unorganized response to government
- Flourishing Fintech community and alternative payments threatened

# Saudi Arabia: Rebuilt pre-paid and remittance regulation and industry guidelines to foster formalization and growth of payments industry



Regulatory Engagement	Product Definitions	KYC/AML Standards	Payment Industry Coordination	Integration of Others
Pro-active	Developing	Developing	Medium	Medium

2010



2015

Active Consultation	Benchmarking on International	Benchmarking on International	Shared best practices and tech	Involve Tech & Legal Community
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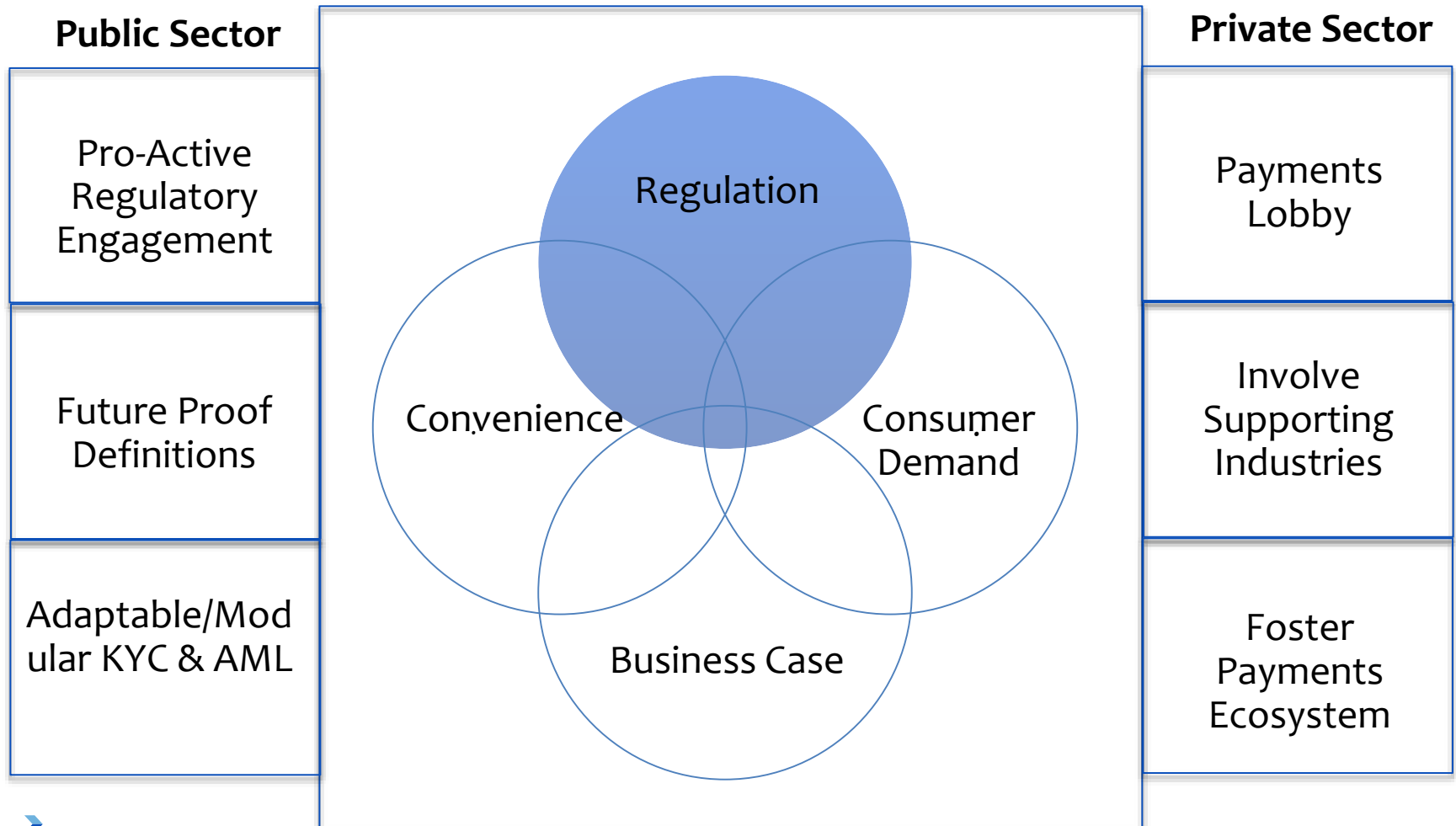
- Regulators recognize broader implication and potential of remittance market
- Banks share efforts in product development and benchmarking

• Adopt foreign standards where relevant

# Lessons of Comparison

Learning from other countries in order to shape compliance across differing spheres of need creates future opportunities beyond remittances

## Fostering Growth in Remittances





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