



**Euronet Software Solutions**

*A Division of Euronet Worldwide*

Powerful Payment Solutions that Bring Currency to Life

*A Euronet Software Solutions White Paper*

# **Person-to-Person Payments Hub**

*Opportunities for Financial Institutions to Offer  
P2P Solutions to Consumers around the World*

*By David Motley, Product Manager of eBanking  
Solutions for Euronet Software Solutions*

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Euronet Software Solutions  
17300 Chenal Parkway, Suite 200  
Little Rock, AR, 72223

Tel: 1-501-218-7300  
Fax: 1-501-218-7302

E-mail us at: [euronetsoftwaresolutions@eef.com](mailto:euronetsoftwaresolutions@eef.com)  
Visit our Web site at [www.euronetsoftware.com](http://www.euronetsoftware.com)

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Euronet Worldwide Inc.  
Corporate Headquarters  
3500 College Boulevard  
Leawood, Kansas 66211

## Executive Summary

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The purpose of this document is three-fold: 1) to articulate Euronet's strategy and capabilities in delivering a person-to-person (P2P) remittance solution in a payments services hub model; 2) to review how the openness of the payments hub model creates numerous opportunities for financial institutions; and 3.) to summarize how financial institutions are the key to enabling P2P funds transfer initiatives around the world.

Euronet is firmly committed to providing a comprehensive offering that features a nimble and secure environment for the payments sector. The foundation of our P2P payments hub strategy is to leverage our Integrated Transaction Management® (ITM) product suite, which utilizes technology designed to respond to rapidly changing market requirements and intense competition as well as deliver a fast-track approach to new services introductions.

At Euronet, we are uniquely positioned to provide industry leading software products with an added benefit of operating this comprehensive solution set in our own processing centers. This blend of theory and reality equates to a level of understanding on our part that translates to sound, scalable, secure and nimble solutions for all of our clients. Whether an organization operates its system in-house or utilizes our outsourcing services, it will gain the benefit of industry leading experience and expertise.

### MOBILE REMITTANCES

*Build off traditional international remittance market*

*Cross-border, multicurrency*

*New solution for a big market*

## An Overview of Person-to-Person Transfers

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Generally speaking, P2P payments are performed via an online technology that allows customers to quickly and easily transfer funds from their bank account, payment card or virtual wallet to another individual – generally via

*Half a billion people are expected to be performing P2P by 2014.<sup>2</sup>*

the Internet or a mobile phone. The increased acceptance of online banking, mobile banking and e-commerce by consumers has paved the way for a projected massive increase<sup>1</sup> in mobile payments. However, as this white paper will explore, the Internet and mobile phone need not be the only channels the consumer can utilize for P2P payments; with a variety of established channels, utilizing the openness of a payments hub architecture, financial institutions have a major competitive advantage in being able to offer end-to-end P2P solutions to consumers.

## Global Remittance Channels

After years of steady growth, including a 63% increase between 2003 and 2008, the global remittance market reported a decline of 6.5% in 2009 in response to the recent economic downturn according to the World Bank. However, it is anticipated that the global remittance market will grow at 9.2% during 2010-2011, as the global economy recovers.

The companies operating in the global remittance market face strong competition with a few large competitors and numerous small and niche competitors. The leading money transfer organizations like Western Union, Money Gram and Euronet compete on the basis of technology, price and quality of service offered to remitters.

Traditional brick-and-mortar-based money transfer companies have historically made up most of the remittance volume by having a physical presence in both retail and banking locations. Along with increasing international migration, a technology and communications revolution has opened new vistas of remittances through the Internet and mobile phones.

## Transfers via the Internet

After more than a decade of PayPal dominating the market, major banks and credit card companies are finally getting in on the action. It is an important step for these financial institutions as commerce evolves beyond the individual-to-merchant relationship to a broader, individual-to-individual exchange.

## Transfers via the Mobile Phone

There has been a dramatic increase in consumer confidence levels with conducting financial transactions on a mobile device – one survey showed the willingness doubling in two years from 14% in 2008 to 34% in 2010.<sup>2</sup> As of June 2011, there were 106 live mobile money initiatives and 87 in the planning phases that enable individuals to transfer money to one another via their mobile phones.<sup>3</sup> These P2P remittance transactions are often between two people who are unbanked, underbanked or a newer category; the “previously banked.” Two-thirds of these initiatives scattered around the world have been launched since 2009. Multiple concept models have been employed to create these P2P ecosystems; each with its own advantages and disadvantages in this evolutionary market space.

**Average Number of Mobile Users Making Domestic Transfers across 8 Regions<sup>4</sup>**



Source: Juniper Research

## Financial Institutions are Key

What some P2P models have lacked and therefore led to poor uptake is the absence of convenient and effective channels for users to put money into and from which to get money out. For example, in many mobile operator-centric solutions, the funds are stored within the Mobile Network Operator's (MNO) existing airtime billing system. This in itself can lead to regulatory hurdles with government banking authorities. It also limits the consumer to interacting only with the mobile operator's retail outlets to either put funds into their account or withdraw cash. Since this activity is not the core business driver or core competency for the retailer, the system is inefficient and likely to frustrate the user. Similarly, with an Internet-only based payment solution, the consumer's interaction with the system can only be via a website.

Mobile Money Transfer provides financial institutions with the following benefits:

- Increases banking penetration/untapped market at low acquisition cost
- Increases 'stickiness' of current customers
- Reduces operational costs with straight through processing
- Meets government service obligations
- Productises your remittance service
- Provides opportunity to up-sell remittance to banking products (e.g. mortgages, loans, insurance, pensions)
- Creates potential revenue streams (e.g. retention of deposits, increased transaction and FX spread revenues)

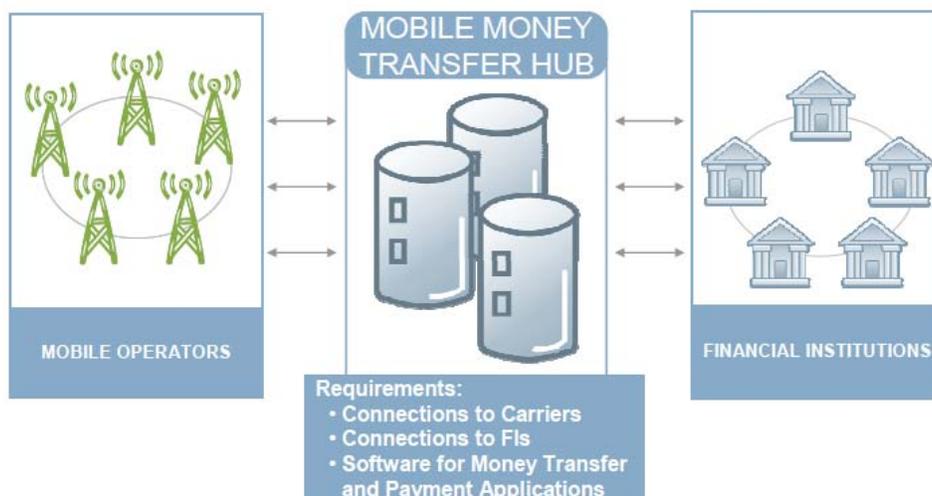
The examples noted above are just some of the many reasons that solutions that are centered on financial institutions can offer a much more robust, stable and convenient service to users than a scheme centered on a telecommunications provider. Person-to-person payment services from a financial institution can be a reality by leveraging existing, paid-for infrastructure to provide services at branches, ATMs, POS, IVR, switching and international remittance networks in addition to the Internet and mobile channels. Financial institutions are the key to moving funds around the world whether via traditional remittance or P2P.

While the financial institution plays a key role in the P2P ecosystem, strong partnership with the local MNO(s) is not just necessary but also can provide a number of synergies as the table below demonstrates.

Mobile Operator	Financial Institution
◆ Untapped customer base (unbanked, prepaid, immigrants)	◆ Banking infrastructure (card management, etc.)
◆ Customer registration for mobile component (link account to mobile)	◆ Retail outlets
◆ Strong branding	◆ Regulatory compliance, regulator comfort
◆ Mobile application and first mile automation	◆ Regulator reporting
◆ Support/customer care for mobile applications	◆ Bank accounts for consumer and ensure KYC for bank accounts
◆ GSM network	◆ Facilitate Forex, clearing and settlement
◆ Retail outlets and top-up points of presence	◆ Provide cash in/out facility

## Euronet Software Solutions Payments Hub Infrastructure

By utilizing the power and flexibility of Euronet payments hub infrastructure, a rich matrix of payment possibilities can be created due to the hub forming the nexus between mobile operators, financial institutions, transaction touch point channels such as ATMs and POS, billers and merchants.



This central exchange created by the payments hub provides the capabilities that will attract and grow the consumer base, allowing the volumes necessary to give a P2P scheme enough critical mass to become the solution of choice for consumers.

Let's look at the example of sending money from one person to another person via a mobile phone text message. How is this achieved by such a quick and simple action? The key to providing this functionality in a convenient, secure and compliant manner is to link both sending and receiving parties' mobile phone numbers to some form of account. This account can be an actual account for banking customers or a virtual account to help serve unbanked and underbanked consumers. One ideal model is to base the virtual account on a prepaid card account and issue physical plastic cards so the user can make purchases at merchant locations or perform cash withdrawals at ATMs. This concept is a good fit for financial institutions who wish to retain and expand their customer base. This can be done by catering to individuals who do not currently have a relationship with the financial institution, but who can be enrolled in the service. Once empowered to use the service, these unbanked and underbanked consumers typically become a fully banked customer over time.

But what if the receiver – or both the sender and the receiver – do not have or do not wish to use their mobile phones as the channel? Also, what if neither party is sure to be a repeat user of the solution? This situation calls for a model where one-time transactions can easily take place without the burden of significant registration overhead in the system. The sender can initiate the transfer in a number of ways: by visiting a branch, merchant retail location or even an ATM if cash is the preferred means to fund the transaction. These physical locations can be augmented by Internet and mobile channels if virtual wallets and payment cards are the way the sender wishes to fund the transaction.

The most common methods of notifying the receiver that they now have funds to receive are by mobile phone text message, email and voice – or a combination of the three for enhanced security. These channels are used to provide the recipient notification of available funds and security codes for access to withdraw those funds at ATMs. One unique feature of this transaction is that the recipient does not need a card to withdraw their funds from the ATM, thereby allowing as many people as possible, including the unbanked, the ability to receive P2P payments.

An extension of this cardless payout capability – which Euronet has recently pioneered – is to permit cardless *initiation* of a P2P transfer at the ATM, forming another channel of convenience to consumers. This concept fits well with institutions and processors who prefer to establish a minimal relationship with the users of the system, keeping it lightweight and hassle-free to serve the unbanked market.

## The Power of Euronet

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Collaboration with a provider that has an international payments infrastructure such as Euronet helps financial institutions and processors enter the P2P remittance market by having the complexity of regulations and transaction routing handled for them by the provider. Euronet has the abilities to enable the convergence of the key components necessary for a successful P2P money transfer solution.

We are uniquely positioned as a powerful mobile remittance player by operating a global remittance network, by driving tens of thousands of ATMs and hundreds of thousands of POS terminals, by issuing prepaid cards, and by providing mobile banking services and connections to mobile network operators.

We deliver electronic consumer-to-consumer money transfer services from 13 countries through a network of approximately 81,300 locations comprised of send and payout/correspondent agents serving more than 100 countries, processing approximately \$6 billion in money transfers annually.

## Summary

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The acceptance and variety of ways that P2P payments can be performed are evolving rapidly. With an experienced provider that has a payments hub model such as Euronet, financial institutions have a huge competitive advantage and numerous opportunities to be leaders in providing end-to-end P2P solutions to consumers around the world.

## References

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1. Juniper Research estimates that mobile payments transactions could grow to \$600 billion by 2013 (“Mobile Payments Markets: Strategies and Forecasts 2008 – 2013,” September 2008).
2. Titi Cole, Senior Vice President of Payment Solutions for Bank of America, 6/7/11
3. GSMA Deployment Tracker, 2011
4. Juniper Research, 2011

## **About Euronet Software Solutions**

Euronet Software Solutions, a division of Euronet Worldwide, is recognized as a leading provider of software that powers electronic payment and transaction delivery systems around the world. Our solutions have reliably served the worldwide cards, payments and financial services markets for more than 35 years.

Ensuring quick time-to-market and delivering a quality experience, we enable our clients to provide secure electronic payment convenience to millions of people around the world. Whether your organization is a bank or a provider of processing services to financial services organizations, our proven solutions will support your critical business needs now and in the future.

We provide a fully integrated suite of solutions for issuing, acquiring, self-service, e-banking and card scheme connections. Utilizing our services-oriented payments hub architecture, our software offerings are designed to increase your revenue, reduce your expenses, improve your security and increase the value of your customer relationships.

### **For more information:**

- **Visit us online at [www.euronetsoftware.com](http://www.euronetsoftware.com)**
- **Contact your Euronet sales representative**
- **Email us at [euronetsoftwaresolutions@eef.com](mailto:euronetsoftwaresolutions@eef.com)**