



**INTERNATIONAL ASSOCIATION  
OF MONEY TRANSFER NETWORKS**

Hon. President: Rt. Hon. Lord Lamont of Lerwick  
Chairman: Gagik Zakarian  
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**FINANCIAL SERVICES CLUB  
LLOYDS OF LONDON  
ONE LIME ST  
LONDON EC2  
Monday June 2<sup>nd</sup>, 2008  
Chairman  
Eric Sepkes, Citigroup  
Speaker  
Lady Olga Maitland, CEO, IAMTN**

IAMTN, International Association of Money Transfer Networks is a global trade association embracing the payments industry in all sectors; ie. money service businesses ie. Western Union, Unistream, Coinstar, retail banks eg HSBC, Citigroup; prepaid cards such as Advanced Payment Solutions, mobile payment telcom companies such as Vodafone, Fundamo; the utilities such as SWIFT and Earthport, World Bank, IMF, international development agencies and the regulators eg FINCEN, SOCA, FATF etc.

The spur is the rapid expansion of the cross border payment sector. It is estimated informally to be worth approaching \$500b in recorded payments by the World Bank – and the same amount again in the informal sector – bringing the sum total to an estimated £1trillion a year. The growth rate ranges from 10 – 20% depending on the countries.

In short a market that is vibrant and buoyant and set to continue to grow. However because of the disparate manner of remittances, the sector had tended to be overlooked.

IAMTN was the inspiration of George Piskov, head of the Uniastrum Group, Moscow who have a successful money service business Unistream. In 2004 he was surprised that with the growing market in cross border payments there did not exist an international organisation to serve as a focal point. He sponsored a two day pilot conference at the Institute of Directors, London which I organised in October 2005.

The response was immediate and positive. Lord Lamont the former Chancellor of Exchequer presided. Three finance ministers took part, leading figures in all payments sectors flew in, and the conclusion was to establish an international trade association. It was registered in November 2005.

Its purpose is to raise the profile of the cross border financial services sector; monitor new developments, provide an information base with research papers, a 'must read notice board' on



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activities in all sectors of the payment industry, create an international data base, bring companies together in a series of global and regional conferences to form alliances and general networking; provide a bridge between governments, Central Banks, and regulators with the payments industry – and have a good working relationship with the development agencies.

The World Bank publication, Migration and Remittances Fact Book, 2008, reports on how migrants remittances have ballooned. The world economy, despite blips, is essentially growing; with greater movement of people than ever before, catching the attention of governments, banks and new faces offering new and innovative services – and in the process creating a technological revolution.

While regulators are overwhelmed by the speed of change, leaving mobile phone payment companies and prepaid card companies largely outside the regulatory structure, the consumers are in no doubt of the opportunities on offer.

Migrants remittances are largely from the developed world to growing economies. The top five recipient countries include India, \$27b; China \$25b, Mexico \$25b, and Philippines, \$17b.

Leading countries hosting migrant workforces and relative to their own populations are Qatar 78%; UAE 71%, Kuwait 62%, Singapore 43%, Israel 40% and Jordan 39%

The Mexico-US corridor has the largest migration in the world, accounting for 10.4m migrants in 2005.

It is now an accepted fact that remittances account for a greater part of a small country's gdp than what they receive in foreign direct investment (FDI) or aid programmes. In times of war, civil unrest or natural disaster, the remittances play a crucial role in keeping people alive.

In just the few years since IAMTN has been formed, we have seen how the market has changed – and we predict that in five years, the leading players will have changed. There are mergers and acquisitions at a growing rate; retail banks such as Citigroup entered the field vigorously by buying QuikPay now QuikRemit with rival banks set to do the same.

The **prepaid card** market has zoomed creating niche services which are attractive to the unbanked.

In this sector leading figures issue a health warning to new comers; throwing technology at it without studying your market would be a mistake. Card companies have been known to fail for not understanding how important it is to get the right product for the right market.



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Cards are brought on stream for a number of reasons. Banks use cards as a marketing tool – but must be careful with the attitude that one size fits all in terms of services. A new development is the growing provision of cards by the money service businesses.

The markets where it does particularly well are those with a good distribution of ATMs. In this regard the best regions are the Middle East, Philippines and South Asia.

As leading pre-paid card providers acknowledge there are still many challenges for them, eg the fixing of FX rates. Is the sum you send the sum that is collected – in some currencies there is a big deduction.

The concluding view of the prepaid card market is that while it is undoubtedly set to boom, it needs careful studying on the type of card to promote – single purpose ones are limited in their usefulness, can be difficult to market and for some it is complicated to use.

**Mobile payment** services have become a buzz word. The white heat of the technological revolution has arrived. Excitement lights up everywhere – but it is also time to be cautious – understanding exactly what it can do today – and the possibilities for tomorrow.

Is it profitable? For some it is a marginal service; for other even major companies it is an investment – set up the systems today and reaps the benefits tomorrow.

At the April IAMTN Dubai Conference 2008, Samee Zafar presenting a survey of the mobile sector which was put together by his company Edgar Dunn and Co and the GSM Association estimated that the general mobile subscriber base would reach 4.5b by 2011.

Asia will lead in use with the Philippines at the forefront; followed by Western Europe, North America. Just think, I pay my congestion charge and my car parking in Central London by mobile.....and this is only the start of what I will be doing.

However, Africa is expected to leap a technological generation, and in this area leading companies such as Vodafone have made considerable and successful investment. Already functioning well is Fundamo.

In short it is anticipated that there will be 1.4m mobile wallets by 2015 representing 25% of the total subscriber base. Or on a shorter time scale, 248million subscribers in 2012 – just four years away – will make at least one international money remittance transaction on the mobile phone.

However in every sunny sky there are some clouds. There is an admitted regulatory confusion. At present there are no regulators. Technology has run ahead of them. A dream ticket?



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Clear open skies? Free markets? Hardly. There are real concerns that one day a regulatory body could introduce swingeing and retrospective legislation without understanding the market or the providers. The consequences are not hard to imagine.

Careful thinking is therefore underway. Nick Mann, head of Compliance at Vodafone has been hard at work drafting a model for the regulators. He will be leading a team in IAMTN of others involved in the sector to polish up the proposals prior to presenting them to international regulators.

A word about the **hawala** market. A massive service in its own right; equal or maybe more than that provided by the recorded sector. Is this a threat or an opportunity for the mainstream money service providers? At the Dubai Money Transfer conference, Ashok Gupta, General Manager of Baroda Bank described their approach. It was positive and highly pro-active.

He understood that a large proportion of the market users of Hawala are hard working migrant workers who valued a flexible user friendly service which is hassle free and delivers. But why should this not also be the case for a bank? He therefore took the bold approach – and decided to open the Bank for 12 hours a day– from 8 am. To 8 pm. There is even a Friday service. He provides added value ensuring the money is delivered to the local post office in whatever rural area in India, the remittance sender chooses. There is no commission if the sender opens a bank account. This may be labour intensive, but in the end fruitful all round; the sender builds up an account; the bank profits and so does he.

**Conclusion** The money service cross border payments is set to grow and grow. With it there will be more innovative entrants using new ideas, new technologies; new services to challenge the established forces. The market is so huge there is space for all, but the ones who will thrive best will be the ones who understand the dynamics of change and respond.