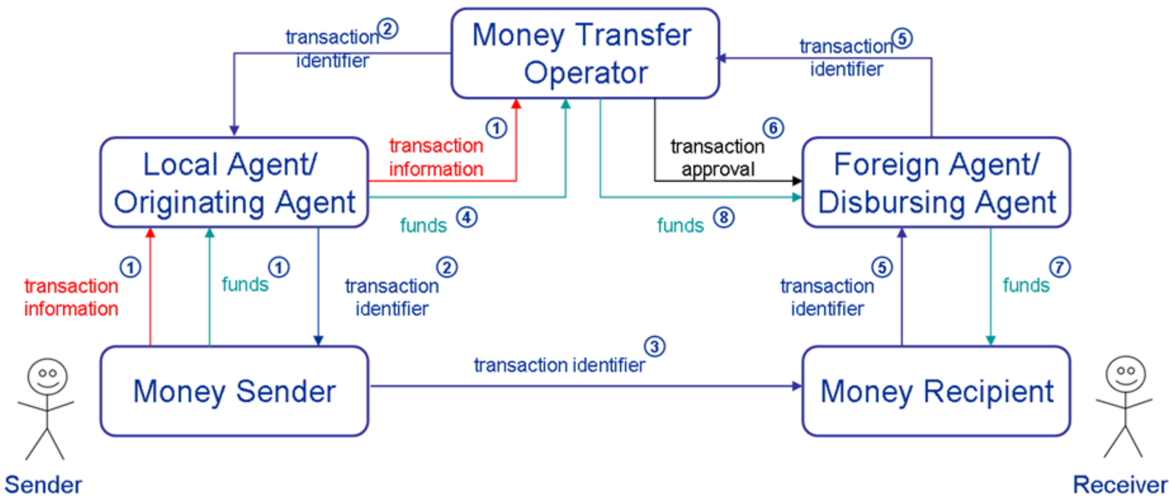
EPIF MEMBERS BUSINESS MODELS

Money Transfer Operators

Money Transfer Process – Flow of Transaction Information and Funds

I. Diagram



II. Description of the process

1. Money Sender goes into Local Agent aka Originating Agent and provides funds to be remitted (including a fee) and transaction information. Transaction information would include their details (Sender's name, address and possibly date of birth), recipient's details (Recipient's name) and the transaction amount. Local/Originating Agent performs any checks as required under local Anti-Money Laundering and Counter Terrorist Financing laws. Agent then transmits transaction information to Money Transfer Operator (MTO).

2. MTO sends Local/Originating Agent a unique transaction identifier. Local/Originating Agent gives unique transaction identifier to Money Sender.

3. Money Sender will give Money Recipient the unique transaction identifier.

4. Funds will be wired from Local/Originating Agent to MTO. The timing of this depends on what is contractually agreed between MTO and Agent – it could be end of day of transaction or days later.

5. In the receiving country, the Money Recipient will go to the Foreign/ Disbursing Agent and provide the unique transaction identifier. The Foreign/Disbursing Agent transmits the transaction identifier to the MTO.

6. If approved the MTO provides transaction approval.

7. Having received transaction approval the Foreign/ Disbursing Agent pays out funds.

8. The MTO subsequently settles with the Foreign/ Disbursing Agent.

III. Money Transfer Operators' Business Model Description

Money Transfer Operators consist of larger international companies, such as Western Union, which provide a global remittance service involving a worldwide network of agents, ATMs and electronic channels and a large range of smaller institutions that specialise in sending funds across particular migration corridors or via digital channels. In most cases the remittance process occurs in three phases, the funds capture phase, the funds disbursement phase and the communications and settlement phase.

The above diagram provides a schematic illustration of the money transfer process, with the sequencing of transactions and actions indicated. It illustrates the importance of both transaction information flows and monetary flows, as well as the need for cooperation and trust between the MTO and its domestic and foreign agents involved in receiving and paying out money.

In most cases the remittance process occurs in three phases, the funds capture phase, the funds disbursement phase and the communications and settlement phase. In the funds capture phase an individual goes to the MTO and provides funds to be transferred to a third party overseas. In the funds disbursement phase the MTO pays out the funds to the recipient through one of their agents or branches in the receiving country.

In the settlement stage of the international remittance process the MTO settles the transaction involving different currencies across borders. Lags between fixing the exchange rate for the customer and undertaking the corresponding foreign exchange transactions create risks for MTOs which can either be hedged or the risk assumed on their own trading accounts. Compensation for that risk-bearing may be reflected in fees charged to customers.