

Millions of immigrants around the globe send over \$200 billion back home every year. In this edition of The Bank of New York Mellon Treasury Services Innovation Series, you'll learn how global remittance capability can increase market share, customer loyalty and income.

Who's Helping You?



By Eric Kamback



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Innovation Series
THE BANK OF NEW YORK MELLON TREASURY SERVICES

A World of Opportunity

How the desire of the global labor force to create a better life can help build your business.



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“Private labeling can be a strategic alternative to building an in-house global remittance capability. Leveraging an established system eliminates the cost of development, maintenance, and ongoing investment, while providing access to the latest advances in technology.”

For generations, immigrants have sent money back to their homes to support their extended families. It is estimated that upward of \$230 billion was remitted by more than 175 million immigrants and migrant workers worldwide in 2005, a figure projected to swell to \$289 billion this year, according to the World Bank. Today, major money service businesses are the primary servicers of the remittance market. It is estimated that only ten percent of remittance transactions from the US are sent through banks. However, financial institutions around the world have increasingly shown interest in remittances. They provide an entry point into the growing, mostly untapped immigrant market, and an opportunity to create long-term client relationships, leading to increased market share, income potential, and customer loyalty.

Further, in an age of globalization, companies are more and more dependent on global networks of customers, suppliers, and investors, and dependence on a global workforce and employee mobility is growing. As a result, companies increasingly need to offer global remittance services to employees as part of their banking packages, placing greater demand on cross-border payments activity, and opportunities for banks that can meet that demand.

Both banks and governments have an interest in channeling this payment activity into the banking system, creating new opportunities for banks that can develop competitive solutions quickly and cost-effectively. But many banks lack a global retail payment capability. Varied payment systems; formatting standards, rules, and regulations; and a lack of global standards are also barriers for banks seeking to compete in this space. The gathering and distribution of payment-related information present other, multiple levels of complexity. For example, entities initiating payments need to collect and maintain the necessary routing information to pay beneficiaries, given the differing requirements by country.



There are additional barriers to entry. Without an extensive correspondent banking network or the investment in technology to develop a global payments capability, banks lack the robust infrastructure to offer a cost-effective remittance solution, and the time and cost of establishing and maintaining a network and developing a remittance platform is prohibitive. Lacking that infrastructure, banks are confined to executing payments by wire. The cost and complexity of complying with Know Your Customer, anti-money laundering regulations, and other control activities add further complications.

To compete, banks need low-cost payment methods that enable them to offer sustainable competitive prices to their customers. Banks that are quick to market, with an easy-to-use service that simplifies the payment flow and lowers cost, stand to benefit. The problem is how to bring this about.

The Private Label Solution

Private labeling can be a strategic alternative to building an in-house global remittance capability. It is a viable way to tap into the growing retail cross-border market; it can compress time-to-market and gain competitive advantage. Leveraging an established system eliminates the cost of development, maintenance, and ongoing investment, while providing access to the latest advances in technology.

“Remittances are an opportunity to create long-term client relationships, leading to increased market share, income potential, and customer loyalty.”



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Evaluating a Provider

A provider should bring considerable experience and expertise to implementing a solution. It should offer a well-established, extensive, correspondent banking network, the technology to automate the entire payment transaction, and a full spectrum of disbursement options. A solution should feature a flexible infrastructure that can scale to volume growth, new product developments, and continuously emerging market opportunities. It should integrate seamlessly with customer payment initiation points, including teller systems and online banking platforms. And it should guarantee speed of payment delivery, and allow for the ability to track payments. Payments processing should be a core business of the provider, and it must provide efficiencies of scale and rigorous payment controls.

The Bank of New York Mellon can offer banks a global direct remittance solution that meets all these criteria. Our network of correspondent banks, one of the largest and most well-maintained networks in the industry, allows for remittance payments into sixty countries. Our technology delivers speed, predictability, and accuracy, and the front-end platform is an easy-to-use web-based solution. Our service is easily integrated into existing bank platforms and can be customized to allow for a bank’s own branding.

Based on our strength in payment processing, technology, and correspondent banking, The Bank of New York Mellon can be a major facilitator of remittances by linking correspondents globally. Those banks that establish a global remittance structure today will be best positioned to take advantage of the rise in retail global payments and increasing customer demand for new payment services in the years ahead. The Bank of New York Mellon’s global direct remittance offering can bring that about.





Eric Kamback is Executive Vice President and Group Head for Global Payment and Trade Services at The Bank of New York Mellon. The group provides both trade finance and treasury services to financial service companies, corporations, and governments worldwide.

Mr. Kamback joined The Bank of New York in 1980. He began his career with the Mutual Fund Division and has served in many capacities and at a wide range of management levels within the Worldwide Securities Processing Sector. As Global Payments and Trade Group Head, Mr. Kamback establishes all strategies as they pertain to sales, product management, and product development, and his initiatives have influenced the approach to world markets throughout the banking industry. Under his direction, the Bank's Global Payment and Trade Services group has experienced significant growth in sales and revenues, developing significant client bases in Europe and Asia, as well as in the Americas, and was named Best Trade Services Provider in 2004 and 2005 by *Trade Finance* magazine.

Mr. Kamback has overseen the development of significant new product offerings, including Global Mass Payments, which provides a lower-cost solution for corporations to make international payments electronically—including payroll, pensions and dividend payments; Global Direct Remittances, an Internet-based service for individuals to initiate and receive cross-border payments; and an Image Deposit Suite of Services, a modular set of image-based deposit products.

Mr. Kamback has spoken at the International Payments conference and was a featured participant in the *Global Finance* roundtable on treasury issues. He has fostered a business-wide focus on industry leadership and participation with key staff members at The Clearinghouse, NACHA, SWIFT, and IFSA. He has also served on several industry boards through his career, most recently as Director for the Stock Transfer Association Board.

For more information, please contact:

Eric Kamback, Executive Vice President
New York: 212 815 5271
ekamback@bankofny.com

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