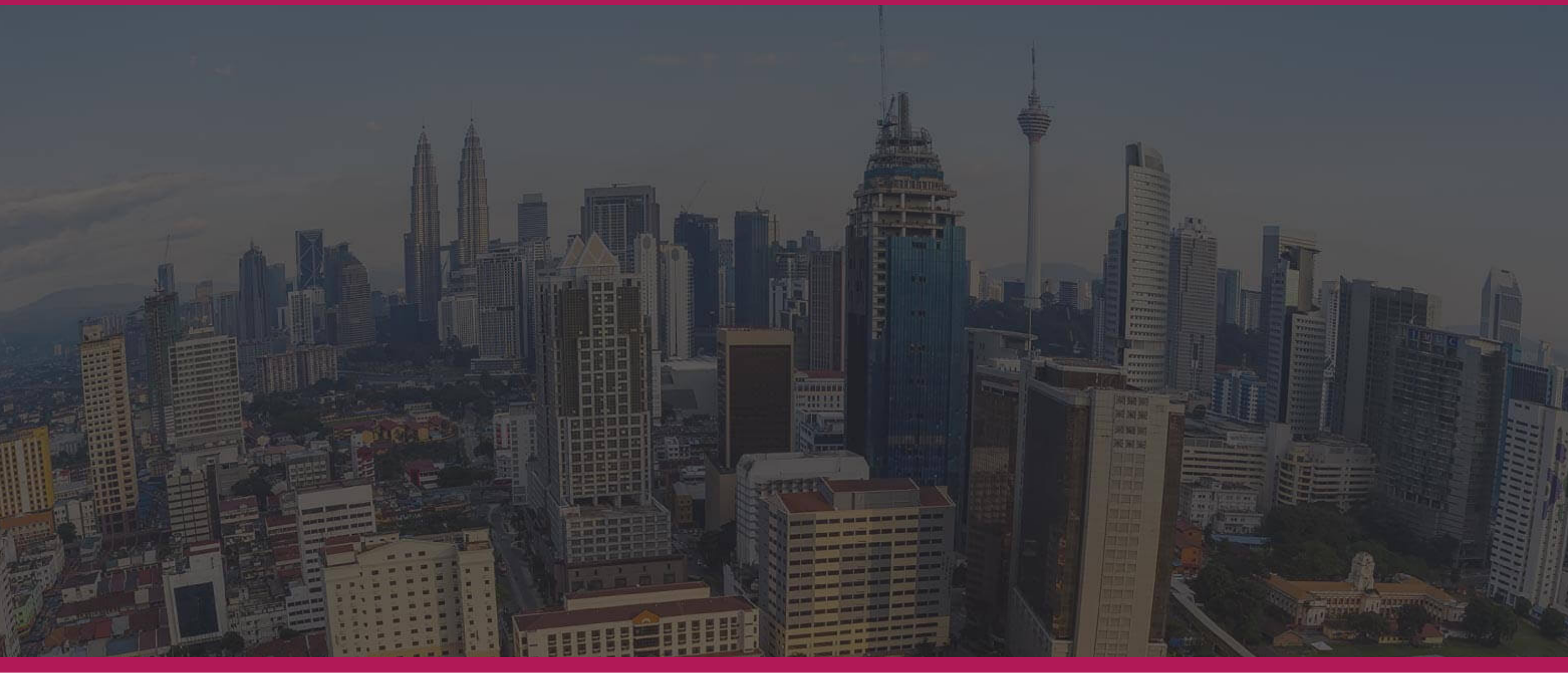
The Cross-Border Payments Landscape

Prepared by eServGlobal

September 2018



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CONTENTS

Introduction
- Executive Summary
- Document Purpose
- Using This Document
- Disclaimer

1. Global Payments
   - Market Overview
   - Types of Global Payments
     - Correspondent Banking
     - P2P Remittance
     - The Global Economy

2. The Global Payments Customer
   - Banks
   - MTOs
   - Digital Financial Service Provider / Disbursers
   - Mobile Money Operator
   - Corporates

3. Available Technologies
   - SWIFT GPI
   - Blockchain
   - Hubs

4. The HomeSend Solution | Global Payments Hub
   - How it works
     - A global network
   - Services
     - For Banks
     - For Digital Players & Disbursements Services
     - For Money Transfer Operators
     - For Mobile Money Operators
     - For Clearing Partners
   - The Joint Venture
     - Evolution: 2008 - 2018
     - HomeSend JV Structure
   - Mastercard Send™ Cross Border

INTRODUCTION

Executive Summary

Cross-border payments is a US$22 trillion market. The size of this market continues to grow, fuelled by increasing international commerce, migration and changing economic trends. Financial technology has failed to keep pace with demands. Today's cross-border payment customer; be that a consumer or business; expects payments which are frictionless, secure, transparent, cost-effective and fast.

Presently cross-border payments are largely dominated by banks (95%) and characterised by delays and lack of transparency.

In response to this demand, new technologies are emerging which offer alternatives to the incumbent players. Some of these technologies aim to replace the existing systems (such as Bitcoin) while others aim to solve pain points by working with existing players (HomeSend).

This document examines the state of the current cross-border payments environment by bringing together sourced information from across the industry to give insight into the opportunity which exists.

There are a variety of technologies and companies offering solutions in this area, however it is important to look forward. In the coming years the market will consolidate and the price of cross-border transactions will fall. The coming leaders in this landscape will offer a competitive solution which combines speed, compliance and cost.

An integral requirement in building a solution for the next 10 years is direct banking relationships combined with full liquidity and forex capabilities. The significant burden of compliance and transaction screening will only increase as cross-border transactions become seamless in the everyday lives of both consumers, corporates and financial institutions.

Document Purpose

The purpose of this document is to provide a view of the landscape within which HomeSend operates. With the intention of highlighting where HomeSend supports and provides a next-generation, digital cross-border solution.

This document collates relevant information from HomeSend and from the wider market to provide context to the current position of HomeSend in the global payments ecosystem.

Using This Document

The majority of information in this document is publicly available and the sources are referenced through the document in the footnotes.

eServGlobal has added contextual information throughout the document. This contextual information is indicated by a shaded box. Example of eServGlobal commentary:

eServGlobal contextual explanation or comment.

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1. Global Payments

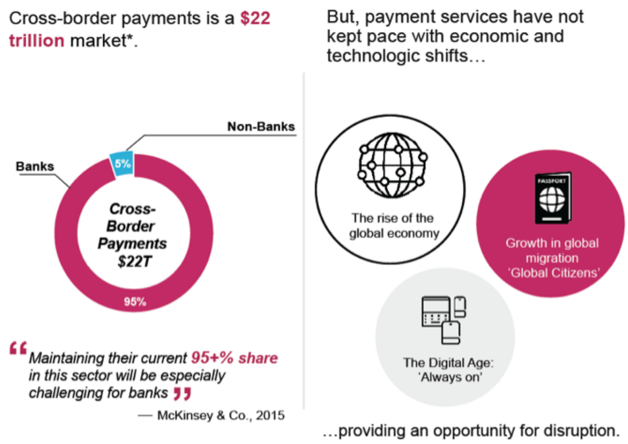
Market Overview

In an increasingly globalised world, technology has broken down many barriers created by geography. The demand for fast, efficient and transparent cross-border payments is higher today than ever before.

Cross-border payments is a US$22 trillion market [1] and it is a market that continues to grow.

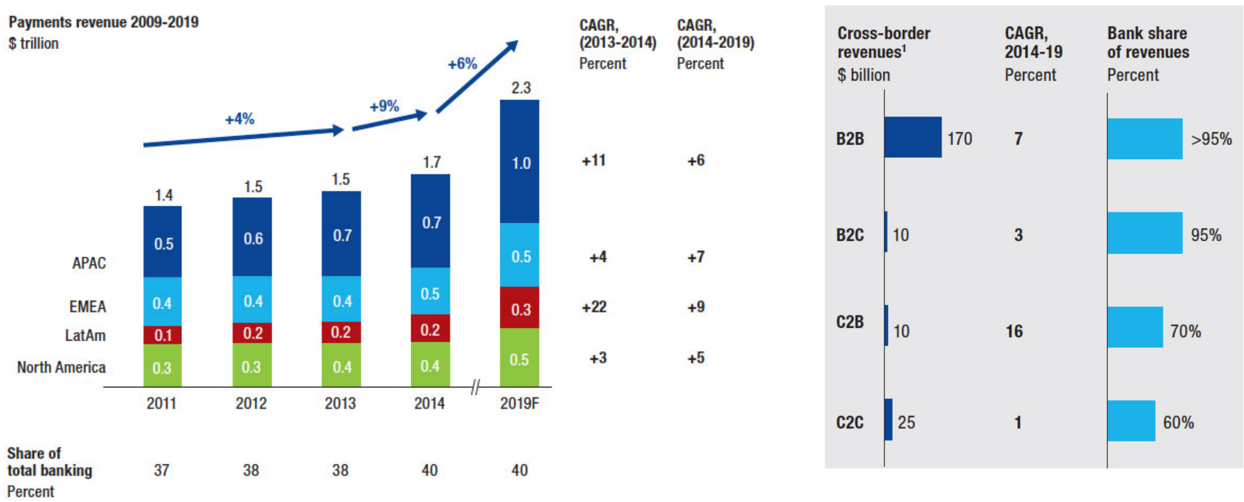
In the 2015 paper, "Global Payments 2015: A Healthy Industry Confronts Disruption", global consulting firm McKinsey & Co stated that they expect annual cross-border revenues to increase at a relatively stable annual rate of 6 percent during the next five years, exceeding US$2 trillion by 2020. [2]

80% of cross-border payments are B2B related, with banks dominating 95% of this market. Maintaining their 95%+ share of this market will be challenging for banks. [2]



Source: Slide from HomeSend webinar for eServGlobal investors, March 2017

McKinsey goes on to point out that, "to date, banks have done little to improve the back-end systems and processes involved in cross-border payments. As a result, cross-border payments remain expensive for customers, who also face numerous pain points (e.g. lack of transparency and tracking, slow processing times). However, as nonbank players increasingly encroach on the traditional cross-border turf of banks— moving from consumer-to-consumer (C2C) to business-to-business (B2B) cross-border payments—they will force many banks to rethink their long-standing approaches to cross-border payments."[2]



Source: McKinsey & Co, "Global Payments 2015: A Healthy Industry Confronts Disruption", 2015.

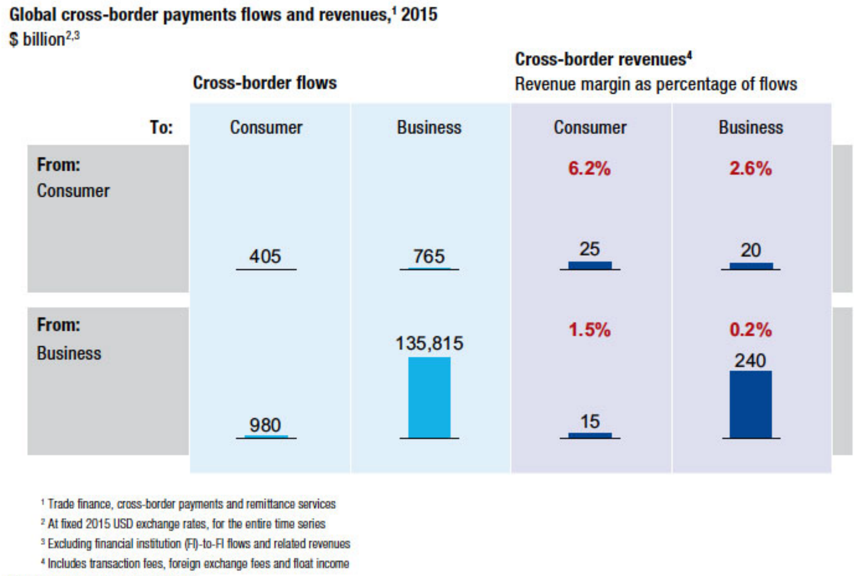
1. BCG Global Payments Model (2014), quoted in SIBOS 2014 session
2. McKinsey & Co, "Global Payments 2015: A Healthy Industry Confronts Disruption", 2015.

Business-to-business (B2B) is the main revenue driver in cross-border payments.

McKinsey & Co states that, "While cross-border payments account for less than 20 percent of total payments volumes, they comprise about 40 percent of global payments transactional revenues (i.e., transaction-related fees and float income), and generated US$300 billion in global revenues in 2015. At a granular level, major differences exist in revenue contribution and associated revenue margins depending on the nature of the transaction (e.g., trade versus treasury), the geographic corridor and the end customers involved (consumer or commercial).

On one hand, consumer-to-consumer (C2C) remittances generate a healthy 6.2 percent global average revenue margin (fees and foreign exchange margins combined), on a relatively modest US$405 billion in flows (less than 0.5 percent of cross-border activity) resulting in US$25 billion of global revenue (8 percent of total cross-border revenue).

On the other hand, higher value B2B payments brought in US$240 billion revenue on US$135 trillion in flows. The resulting revenue margin of roughly 20 basis points is nonetheless quite lucrative, given the average transaction value of US$15,000 to US$20,000, which implies a typical fee of US$30 to US$40 per transaction." [1]



Source: McKinsey & Co, "Global Payments 2016: Strong Fundamentals Despite Uncertain Times", 2016.

1. McKinsey & Co, "Global Payments 2016: Strong Fundamentals Despite Uncertain Times", 2016. p14.

Types of Global Payments

Global Payments is a broad term which encompasses many different use cases. In this document we have examined the following examples of global payments:

- Correspondent Banking
- Person-to-Person (P2P) Remittances
- The Global Economy

Correspondent Banking

Today, the global, cross-border payment market is dominated by correspondent banking.

Investopedia defines, "A correspondent bank is a financial institution that provides services on behalf of another, equal or unequal, financial institution. It can facilitate wire transfers, conduct business transactions, accept deposits and gather documents on behalf of another financial institution. Correspondent banks are most likely to be used by domestic banks to service transactions that either originate or are completed in foreign countries, acting as a domestic bank's agent abroad." [1]

Transferring Money Using a Correspondent Bank

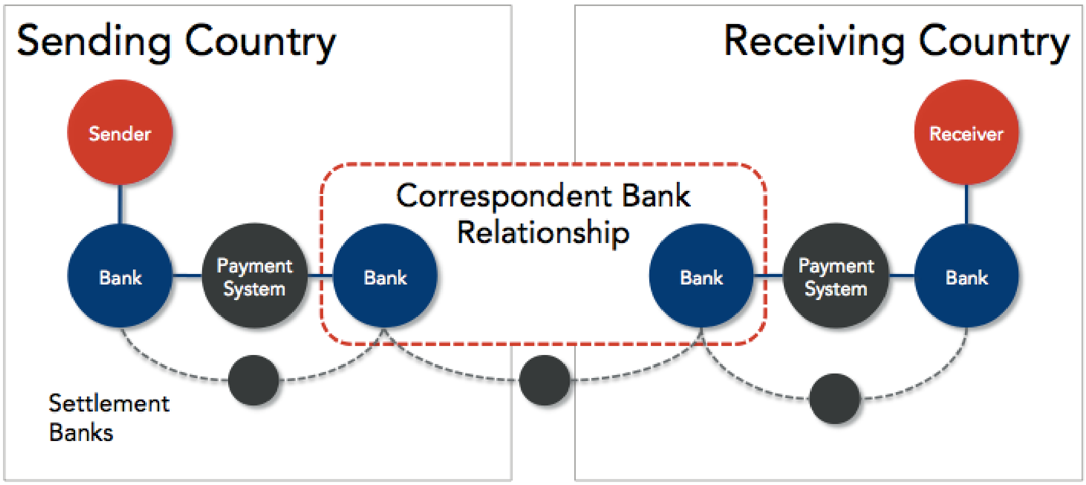
"International wire transfers often occur between banks that do not have an established financial relationship. When agreements are not in place between the bank sending a wire and the one receiving it, a correspondent bank must act as an intermediary. For example, a bank in San Francisco that has received instructions to wire funds to a bank in Japan cannot wire funds directly without a working relationship with the receiving bank.

Most international wire transfers are executed through the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network. Knowing there is not a working relationship with the destination bank, the originating bank can search the SWIFT network for a correspondent bank that has arrangements with both banks.

Upon finding a correspondent bank having arrangements with both sides of the transfer, the originating bank sends the transferred funds to its account held at the correspondent bank. The correspondent bank deducts its transfer fee, and transfers the funds to the receiving bank in Japan." [1]

Example of a cross-border transaction via Correspondent Banking

Payments executed through banks most typically require two transactions in two national payments systems.[2]



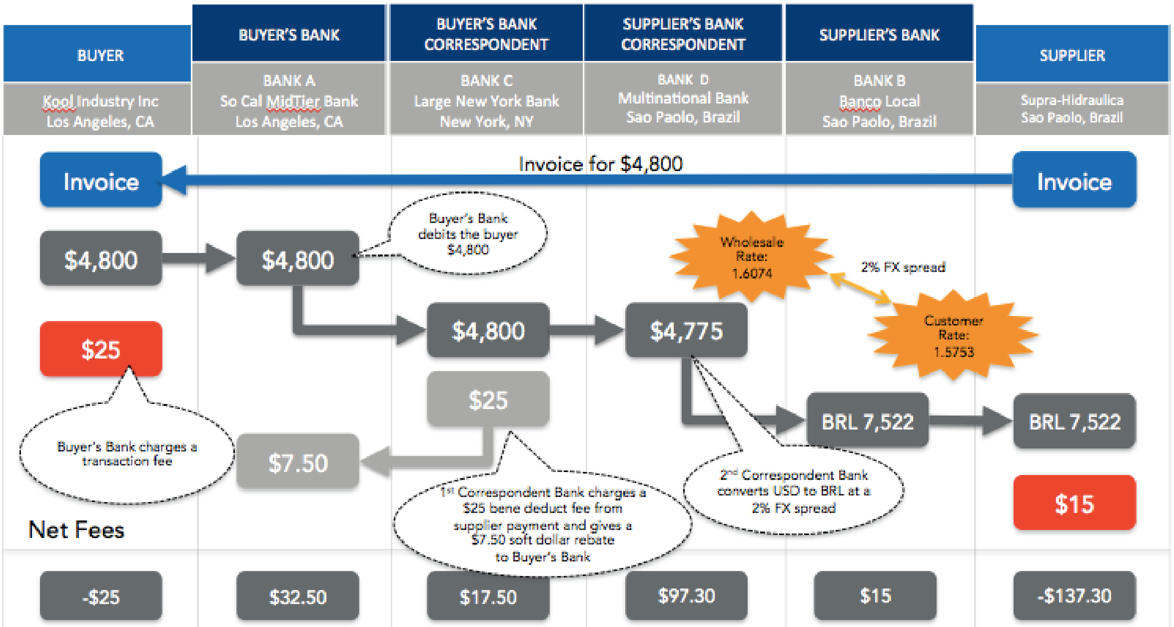
Source: Payments Views: "There Is No Such Thing As An International Wire." Erin McCune, Glenbrook Analysis, 2014

1. Investopedia, Correspondent Bank, https://www.investopedia.com/terms/c/correspondent-bank.asp, 2018
2. Payments Views: "There Is No Such Thing As An International Wire." Erin McCune, Glenbrook Analysis, 2014 https://pv.glenbrook.com/there-is-no-such-thing-as-an-international-wire/

Example of a cross-border transaction via Correspondent Banking cont.

In the article 'There is no such thing as an internationl wire", Glenbrook's Erin McCune explains, "International correspondent banking is, in essence, a giant, decentralized network. Each bank makes a decision as to how it wants to handle cross-border payments for its customers. These decisions can be—and often are—different for paying and receiving funds, and for different countries/currencies, or categories of payments (e.g., B2B payments vs. person-to-person remittances)." [1]

An example of one such transaction is detailed in the following graphic from Glenbrook.



Source: Payments Views: "There Is No Such Thing As An International Wire." Erin McCune, Glenbrook Analysis, 2014

Limitations of correspondent banking

Correspondent Banking presents several limitations:

- Lack of speed and transparency due to routing via a chain of agreements (see above example).
- Retrenchment in correspondent networks due to increasing compliance burden / risk Pain points particularly impact small ticket & 'exotic' corridors as existing model struggles to efficiently serve these flows

Source: eServGlobal comment

McKinsey & Co state that, "... to maintain their strong footprint in cross-border payments, banks need to rapidly move away from the existing correspondent bank model, which is burdened with customer pain points. They must think broadly and strategically about the future of cross-border payments—and do so soon, because the industry is already on the move.

"The approach should be holistic, incorporating both front- and back-end operations while taking advantage of the spectrum of communications and payments technologies. The challenges are clear. First, the lack of standardization in formats and harmonization of backend systems. Research from Traxpay indicates that about 60 percent of B2B payments require manual intervention and that each intervention requires at least 15 to 20 minutes. Second, the rising cost of regulatory compliance must be addressed. And third, maintaining large international correspondent bank networks has become an expensive luxury that even leading transaction banks can no longer afford. Banks have therefore been gradually downsizing these networks. J.P. Morgan, for example, reportedly cut ties with 500 network banks, mostly in the Middle East, in 2013 and 2014.

"Tomorrow's solutions will go beyond utility models based on legacy systems and old-school correspondent banking to the adoption of future-proof digital technologies and industry standards that provide cross-country integration and greater transaction-level efficiency." [2]

1. Payments Views: "There Is No Such Thing As An International Wire." Erin McCune, Glenbrook Analysis, 2014
https://pv.glenbrook.com/there-is-no-such-thing-as-an-international-wire/
2. McKinsey & Co, "Global Payments 2015: A Healthy Industry Confronts Disruption", 2015.

Typical size of a Correspondent Bank transaction

“A typical representative respondent bank may have $12 billion in annual payment volume (across 5 corridors, 157,000 transactions/month, global average transaction size of $6,300 for international transactions) and a 6 percent cost of capital. Here we define a respondent bank as a tier three bank that holds nostro accounts at correspondent banks domestically and overseas.” [1]

“For a point of reference, Citi GTS processed $3 trillion in daily transactions in 2011.” [2]

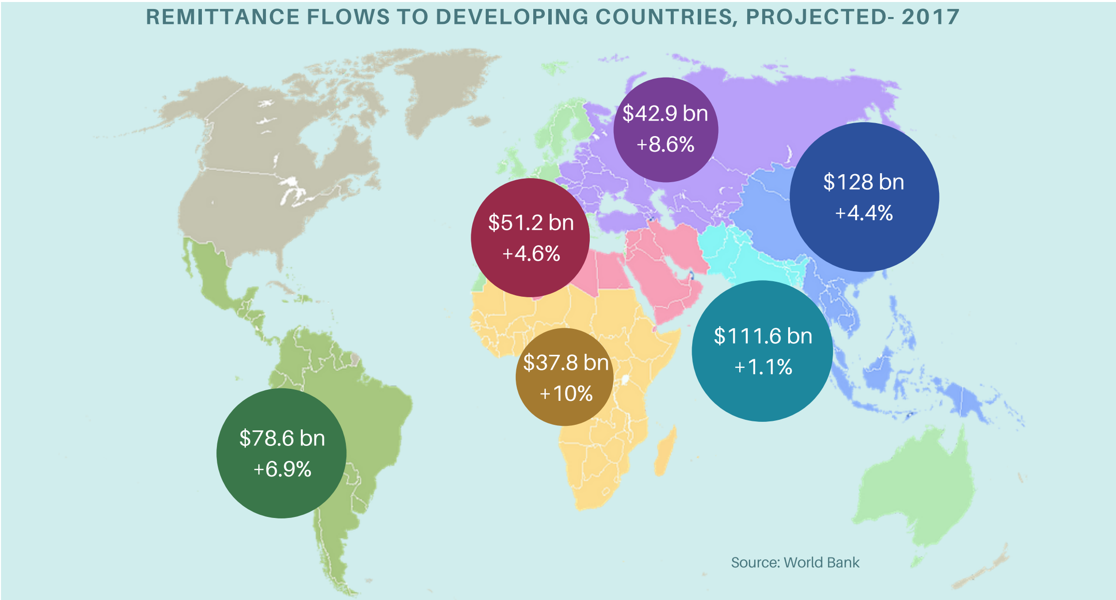
1. Ripple, The Cost-Cutting Case for Banks, 2016
   https://ripple.com/files/xrp_cost_model_paper.pdf
2. Morgan Stanley Financial Conference, 2011
   http://www.citigroup.com/citi/investor/data/p110202a.pdf?ieNocache=832

P2P Remittance

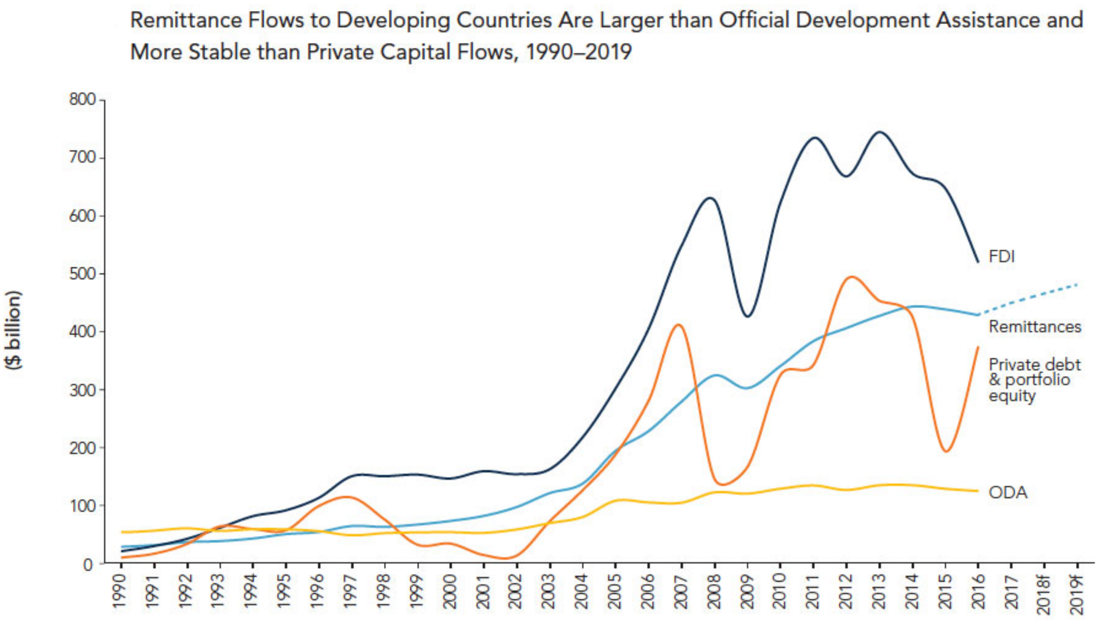
Market size and trends

The World Bank estimates that "officially recorded remittances to low- and middle-income countries reached $466 billion in 2017, an increase of 8.5 percent over $429 billion in 2016. Global remittances, which include flows to high-income countries, grew 7 percent to $613 billion in 2017, from $573 billion in 2016.

"... Remittances are expected to continue to increase in 2018, by 4.1 percent to reach $485 billion. Global remittances are expected to grow 4.6 percent to $642 billion in 2018." [1]



Source: The World Bank, 2018

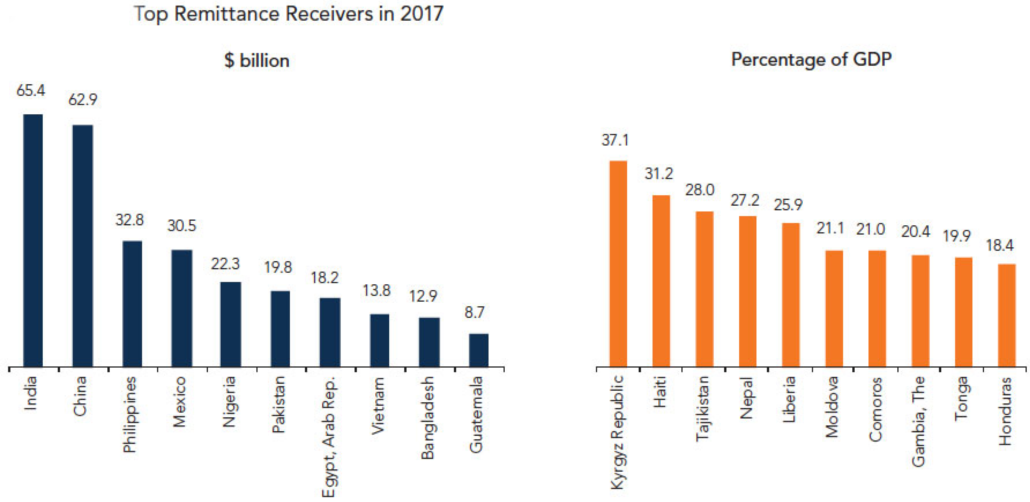


Sources: World Bank staff estimates; World Development Indicators. See appendix A for data and forecast methods.
Note: FDI = foreign direct investment; ODA = official development assistance.

Source: The World Bank, 2018

1. The World Bank, "Record high remittances to low- and middle-income countries in 2017", April 2018

Top remittance receiving countries



Sources: International Monetary Fund; World Bank's World Development Indicators; staff estimates.
Note: GDP = gross domestic product.

Source: The World Bank, 2018

Remittance trends

"The impact of remittances on the economies of Africa is large. 20 – 30 million African immigrants send approximately $40 Billion USD back to their families and communities every year. Digital payments can help, and in fact are helping, make that process simpler, safer, smarter, and more cost effective. This means more money reaching families back home in Africa who need it most." [1]

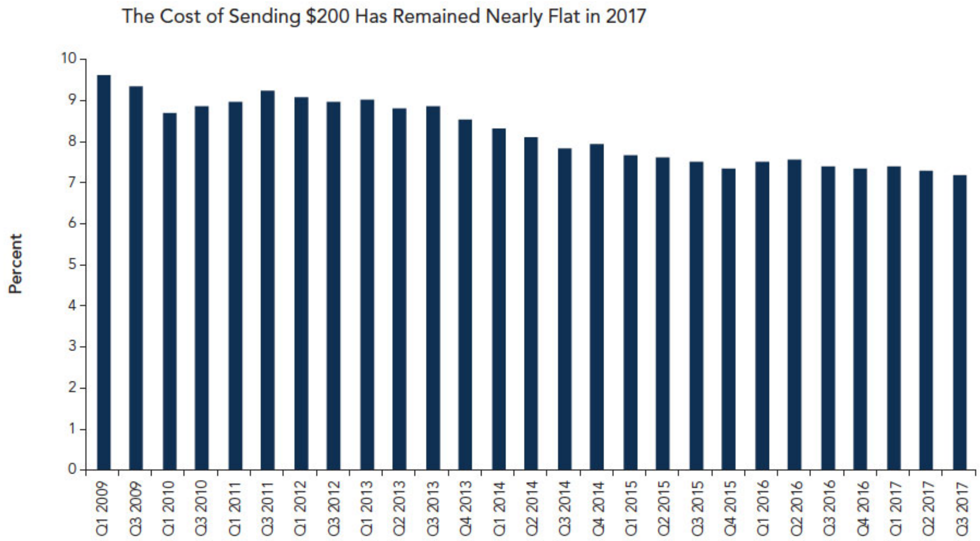
Rise of Digital Wallets in the Developing World

"Mobile financial services first started gaining traction with the launch of mPesa in Kenya in 2006. Mobile money is now available in two thirds of low and middle-income countries. In 2016, mobile money providers processed over US$269Bn in transactions. There are more than half a billion registered mobile money accounts in the emerging world (556 million), with more than 277 individual mobile money deployments across developing markets." [2]

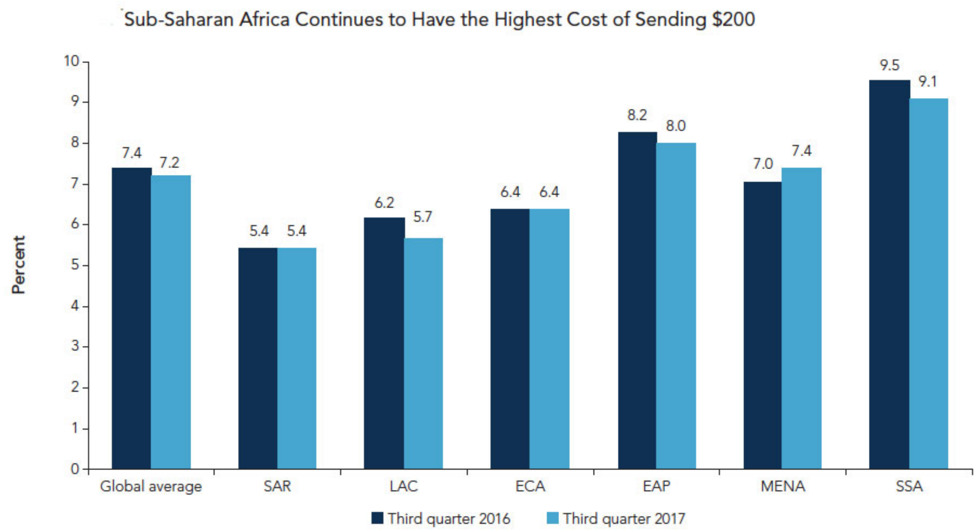
1. Mastercard website 'The Power of Remittances to Transform Inclusion', 2018
2. GSMA MMU "State of the Industry Report", 2017

Cost of remittance today

"The cost of sending money to LMICs continues to be high, well above the Sustainable Development Goal (SDG) target of 3 percent. According to the Remittance Prices Worldwide database, the global average cost of sending remittances of $200 (inclusive of all fees and charges) was 7.2 percent in 2017 Q3 (figure 1.4). Among the regions in 2017 Q3, South Asia had the lowest costs, at 5.4 percent, while Sub Saharan Africa continued to have the highest average cost, at 9.1 percent (figure 1.5; see World Bank 2017a for details). Remittance costs across many African corridors and small islands in the Pacific remain above 10 percent, because of the low volumes of formal flows, inadequate penetration of new technologies, and lack of a competitive market environment." 1



Source: KNOMAD, Migration & Development Brief 28, World Bank, Oct. 2017



Source: KNOMAD, Migration & Development Brief 28, World Bank, Oct. 2017

1. KNOMAD, Migration & Development Brief 28, World Bank, Oct. 2017
http://www.knomad.org/publication/migration-and-development-brief-28

The New Global Economy

Disbursements, Sharing Economy & Development Organisations

The global nature of commerce today requires that disbursements are sent to almost every part of the world. The increasing trend towards sharing economies (e.g. Uber, Airbnb) and global outsourcing (e.g. freelancers) increases the demand for transparent, frictionless global payments.

NGOs and Development Organisations also require the ability to make international payments that are seamless and cost effective. For these types of orgnisations, timely delivery of funds can be of critical importance.

Currently, no one platform or provider performs consistently well across the globe. Customer's piece together a 'patchwork' of providers to service their needs.

Source: eServGlobal comment

What is the sharing economy?

According to the Brookings Institute: The sharing economy is "the peer-to-peer based activity of obtaining, giving, or sharing access to good and services". Alternative names for this phenomenon include gig economy, platform economy, access economy, and collaborative consumption. The sharing economy is estimated to grow from $14 billion in 2014 to $335 billion by 2025. This estimate is based on the rapid growth of Uber and Airbnb as indicative. [1]

1. The Brookings Institute, The Current and Future State of the Sharing Economy, 2017.
https://www.brookings.edu/wp-content/uploads/2016/12/sharingeconomy_032017final.pdf

2. The Global Payments Customer

Who is a typical global payments customer? What do they want from a global payments solution?

Banks

Banks currently dominate cross-border payments, however the technology on which they rely has often failed to keep pace with the changing nature of the global economy and the expectations of their customers, both businesses and individuals. Banks want to be able to offer:

- An improved digital customer experience for end-users. This could be a service which is comparable with the new MTO and FinTech start ups. Banks need a trusted intermediary to do this service at a price point which is future-proof.
- Transparent pricing: Banks want the cost of the transaction to be sent and communicated to the payer at the time the transaction is initiated.
- Security and data protection: a technical platform which has all the necessary global and local compliance.

Money Transfer Organisations

Money Transfer Organisations (MTOs) want:

- An extended global reach by leveraging digital technologies.
- Lower transaction costs.

Digital Financial Service Providers / Disbursers

Examples and Digital Financial Service Providers include Governments and NGOs.
They require:

- Cost efficiencies and additional revenue opportunities

Mobile Money Operators

Mobile Money operators want new ways to bring money into their service.

- For Mobile Money operators in emerging markets, it is highly desirable for their users to be able to receive international P2P transfers, this allows them to access the substantial international remittance market driven by international migration.
- In this market, time and transaction cost are driving factors.

Corporates

Technology is driving market globalisation. An increasing number of Corporates operate in a global marketplace, for example: Airbnb, Booking.com, Amazon.

- Corporates are focussed on the predictability and certainty of payments - in reference to both time and value.
- For Corporates, transparency of transaction cost is critical.

Source: eServGlobal

3. Available technologies

Within a market as large as global payments, there are many players offering different services, from the incumbents such as correspondent banks using SWIFT, to new entrants such as cryptocurrencies and blockchain-based technology. Following is a brief overview of some of the currently available technologies for performing cross-border transfers. While some technologies compete in this market, others are complementary.

SWIFT

SWIFT is a messaging system used by most correspondent banks. The SWIFT system do not actually perform any financial transactions, it conveys messages.

“The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that enables financial institutions worldwide to send and receive information about financial transactions. SWIFT does not facilitate funds transfer: rather, it sends payment orders, which must be settled by correspondent accounts that the institutions have with each other. Each financial institution, to exchange banking transactions, must have a banking relationship by either being a bank or affiliating itself with one (or more) so as to enjoy those particular business features. SWIFT is a cooperative society under Belgian law owned by its member financial institutions with offices around the world.” [1]

SWIFT gpi (Global Payments Innovation)

In early 2017 SWIFT launched their SWIFT gpi initiative to address some of the known limitations of the SWIFT network. SWIFT gpi aims to provide more transparent fees and end-to-end payment tracking. The tracker feature provides transparency which was not previously available. However, while the sender or receiver can now see how many banks are involved in a single transaction, it does not change the fundamental functionality of the SWIFT correspondent bank network.

Blockchain & Cryptocurrencies

Blockchain is a decentralised distributed ledger technology, its first application was inside the bitcoin cryptocurrency, it has evolved in a variety of forms over the past 5 years. There is much speculation over the potential use of blockchain as a technology for money transfer, in particular in regards to the potential to reduce the cost in financial transactions. However today there is limited examples of blockchain applications that perform better for the financial transaction market than a closed-loop permissions based ledger. The traffic through-put to support required transaction volumes would today be far higher than any of the cryptocurrencies running blockchain are handling, including Ethereum which is considered one of the most efficient. Blockchain today is limited by its relative immaturity as a technology.

According to a recent article in The Financial Times, it costs 2c on average to handle a cash transaction, but $2.80 for bitcoin. Each transaction takes 10 minutes to verify, while credit card platforms can handle 65,000 transactions a second. [2]

The article goes on to point out the environmental cost of cryptocurrencies: One calculation found that bitcoin and Ethereum use 42.67 TWh of power every year, which is 0.19% of the world’s energy output. The bitcoin mining network itself now consumes more energy that 158 countries put together, according to research by comparison service Power Compare. [2]

This view was supported by Payments Cards and Mobile, that reported, “The jury may still be out on exactly when blockchain and DLT will become mainstream technologies. For example, following testing with the Bank of Japan, the European Central Bank recently concluded that DLT is not mature enough for large-scale applications such as real-time gross settlement (RTGS) systems. There are political and regulatory hurdles that need to be addressed.” [3]

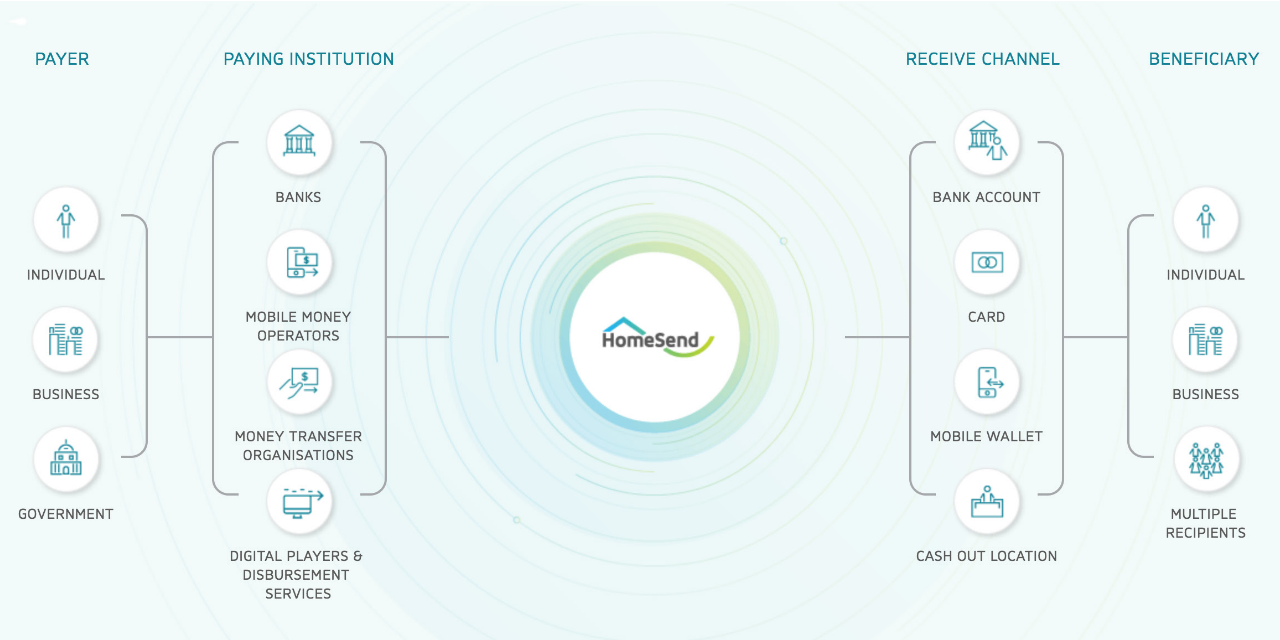
1. Wikipedia, Society for Worldwide Interbank Financial Telecommunication, 2018
2. The Financial Times, “Is it time to take the contrarian view on cryptocurrencies?”, April 2018
3. Payments Cards & Mobile, “Blockchain and distributed ledger technology move from promise to practice”, 2018

Payment Hubs

Payment Hubs operate by providing a central connection point for all members of the network. By adopting a ‘one connection to reach many’ approach they can allow for efficiencies in transaction time, transfer fee.

The HomeSend solution is an example of a payment hub.

4. THE HOMESEND SOLUTION



Source: HomeSend website, 2018

Global reach with one single connection.

HomeSend is designed to work with Banks, Mobile Money Operators, Money Transfer Organisations, Digital Players, Governments and more, helping them modernise the way they make and receive cross-border payments so they can provide a better service to their end-users. [1]

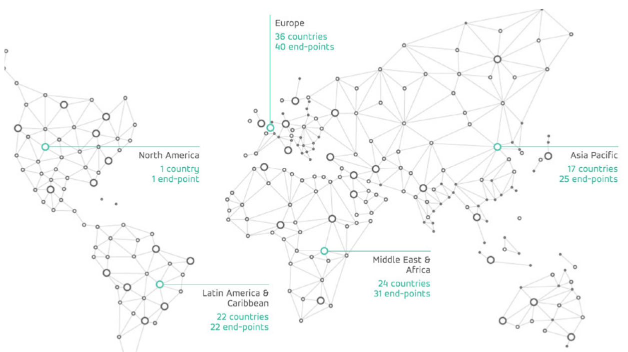
How it works

HomeSend connects the world by way of a network which enables paying Financial Institutions (banks, mobile money operators, money transfer organisations and more) to transfer funds to receiving Financial Institutions in a way that is safe, convenient and cost-effective. [1]

A global network

HomeSend's backbone is its comprehensive global network which enables paying Financial Institutions (Banks, Mobile Money Operators, Money Transfer Organisations and more) to transfer funds to receiving Financial Institutions in a way that is safe, swift, and cost-effective.

One single, secure connection provides paying Financial Institutions with global reach to consumers and corporates via a diverse range of channels. [1]



Source: HomeSend website, 2018

1. HomeSend website, 2018

Services

For Banks

HomeSend uniquely meets cross-border payment needs for banks, modernising the way funds are sent and received cross-border; this drives an improved customer experience for consumer and corporate end-users. [1]

For Digital Players & Disbursement Services

HomeSend meets the cross-border disbursement needs of businesses, Digital Players, Financial Institutions and governments globally. So whether you are a business seeking a solution to pay your international suppliers, a financial institution seeking a better solution for mass business-to-business disbursements, a Digital Player within the sharing economy, or even a government wishing to disburse benefits payments cross-border … choose HomeSend. HomeSend offers a safe, flexible, and cost-effective solution to reach the consumers and businesses that need to be paid and receive funds across the globe. [1]

For Money Transfer Organisations

HomeSend offers Money Transfer Organisations the opportunity to expand their global footprint and access new payment instruments through our reach to diverse channels including bank accounts, cards and mobile wallets. [1]

For Mobile Money Operators

HomeSend offers Mobile Money Operators a safe and secure connection to the outside world providing global reach and interoperability with a diverse range of channels including bank accounts, mobile and eWallets and cash-in locations. [1]

For Clearing Partners

HomeSend is continually looking to expand its global reach through strategic partnerships (Clearing Partners) in key markets. HomeSend offers Financial Institutions the opportunity to become a key gateway for inbound flows of funds to a country or region. [1]

1. HomeSend website, 2018

The Joint Venture

Evolution: 2008 - 2018

HomeSend was incubated as a strategic partnership between eServGlobal and BICS from 2008 - 2013. At its inception, HomeSend was a remittance platform that allowed Mobile Network Operators (MNOs) to connect mobile wallets to international remittance while offering Money Transfer Organisations (MTOs) some digital and physical end-points. The potential market for Person-to-Person (P2P) remittance transfers was estimated at US$600Bn through official channels, with potentially up to another 50 per cent through unofficial methods. Source: The World Bank

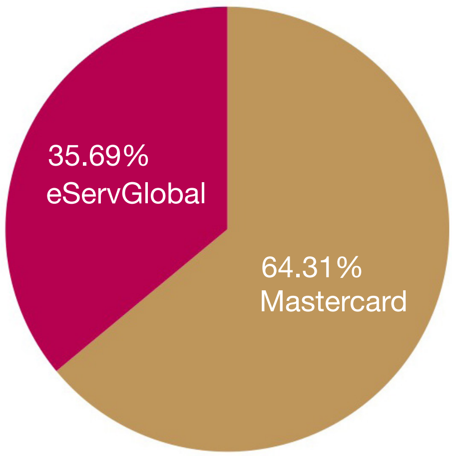
As a strategic partnership, HomeSend gathered significant traction with 'receiving' markets - securing agreements with several Tier 1 Operator Groups and large MTOs - such as Moneygram and WorldRemit.

In 2013, eServGlobal and BICS entered into a Joint Venture (JV) with Mastercard for HomeSend. The two existing shareholders believed that Mastercard, with its financial pedigree and existing relationships with over 24,000 financial institutions, would be a strong partner for this venture, bringing considerable expertise in taking solutions to market and offering 'sending' power.

The JV officially launched with all three partners in April 2014 and has evolved to become a truly global remittance, payments and disbursement hub offering services from multiple digital and physical send-points, to multiple digital and physical end-points, both as a stand-alone product and as a technology platform for Mastercard products.

HomeSend's trajectory until now has relied on revenues through MTOs, which it has secured itself. Mastercard, being the larger partner in the JV, provides the largest opportunity for acceleration, either through referrals of the HomeSend service to Mastercard's own customer base or through the utilisation of the HomeSend platform for Mastercard products, in particular Mastercard Send.

HomeSend JV Structure



HomeSend evolution since JV formation

	Customers	End-points	Market & Size
Then (at JV formation 2014)	Telcos, MTOs, P2P Payments	MTO agents & websites, mobile wallets	International Remittance: Approx US$600 Bn
Now (2018)	Banks, Governments, Businesses, B2B Payments, Disbursers, Digital Players, Telcos, MTOs, P2P Payments	Bank accounts, cards, MTO agents & websites, mobile wallets	Global payments: In excess of US$22 Tn

Source: eServGlobal

Mastercard Send Cross-Border

Mastercard launched the Mastercard Send suite of services in May 2015.

"Through a single connection to the Mastercard Send platform, businesses, merchants, governments, non-profits, issuers and other senders can send money to consumers whether they are banked or unbanked, and located domestically or abroad. By digitizing personal payments that are typically handled via cash or check, Mastercard is providing greater convenience, choice and security to both payment senders and receivers in developed and developing markets." [1]

The Mastercard Send offering consists of three services:

- Disbursements
- Person-to-person payments (domestic)
- Cross-Border Payments

What is Mastercard Send Cross-Border?

Mastercard states that, "Mastercard Send Cross-Border is helping banks modernize their cross-border services so they can deliver faster, cheaper and more transparent international wire services to consumers and businesses.

"Exclusively by Mastercard: Mastercard Send comes with all the benefits you'd expect from a trusted partner with over 50 years' experience in a network business.

"Trusted Partner: Mastercard is already a trusted partner to over 22,000 financial institutions globally. We are now applying the skills and expertise we have gained in our 50-year history to make cross-border transactions better." [2]

How it works

"One single, secure connection to Mastercard Send for cross-border payments provides financial institutions with reach to more than three billion bank accounts and to over 100 countries, and growing. The Mastercard Send network is multichannel and use-case agnostic. The same connection is used to process any type of payment, be it P2P, B2P, B2B or G2P." [2]

More information can be found on the following Mastercard FAQ Page:
https://www.mastercard.com.au/content/mccom-admin/faq-category-admin/mastercardsend.html

1. Mastercard, "MasterCard Makes Sending and Receiving Money Faster, Easier and More Secure with MasterCard Send", 2015. https://newsroom.mastercard.com/press-releases/mastercard-makes-sending-and-receiving-money-faster-easier-and-more-secure-with-mastercard-send/
2. Mastercard, Mastercard Send™ for cross-border payments, 2018, https://www.mastercard.us/en-us/issuers/products-and-solutions/customer-needs/consumer-solutions/cross-border-remittances.html

HomeSend and Mastercard Send Cross-Border

The HomeSend platform provides the technology gateway for Mastercard Send Cross-Border. [1]

Powers 'Mastercard Send'

Mastercard, our majority shareholder, are using the HomeSend Network to power their product Mastercard Send for cross-border payments.

Source: HomeSend website, 2018

Source: HomeSend Teach-In for eServGlobal Investors, March 2017.

Mastercard Send Cross-Border: Benefits for banks [2]

Global network and trusted intermediary
Mastercard Send Cross Border provides reach to nearly 100 countries and to diverse channels including bank accounts, cards, mobile wallets and cash-out locations. This service is backed by the Mastercard network, which features robust capabilities and enhanced security through a single connection. [2]

Improved customer experience
Through this service, the banks' customers - consumers and businesses - gain greater transparency, enhanced security and convenience as well as faster transfer of funds. [2]

End-to-end compliance
Mastercard ensures end-to-end compliance including customer due diligence, sanction screening and AML (anti-money laundering) capabilities. [2]

Streamlined procurement and legal
Banks do not need to sign and maintain contracts with multiple entities, saving time and costs. [2]

Simplified settlement
Mastercard provides an integrated, streamlined settlement gateway for all payments regardless of destination or distribution channel, which helps banks avoid correspondent banking relationships. [2]

Pricing control
Mastercard Send Cross Border provides banks with greater control of branding and pricing, so you can choose to pass on the savings to your customers or retain the money to benefit from a higher margin. [2]

1. HomeSend website, 2018
2. Mastercard, "Mastercard Send™ for cross-border payments", 2018
https://www.mastercard.us/en-us/issuers/products-and-solutions/customer-needs/consumer-solutions/cross-border-remittances.html

Public statements about Mastercard Send related to HomeSend

Comment from Ajay Banga, Mastercard CEO, July 2017:

"So think of this as layering a cake. There is what you can do with card. I love it. We're going to do it. There is what you can do by adding on send. I love it. We're going to do it. There's a little more I can do than most other people there by adding on the HomeSend capability. I love it. ... Please don't assume that by next quarter I'm going to have the world's answer to B2B payments. I'm going to build it, but what I've got now is the right set of tools between card rails, Send, HomeSend and Fast ACH and as we get together and roll these out sensibly, in sensible profitable ways across the world, you should see us bringing choice and data capability through this to the front-end of a B2B business." [1]

Ajay Banga, Mastercard CEO, Mastercard Q2 Earnings Call, July 2017
http://investor.mastercard.com/investor-relations/events-and-presentations/event-details/2017/Q2-2017-Mastercard-Inc-Earnings-Conference-Call/default.aspx

Comment from Ajay Banga, Mastercard CEO, May 2018:

"Then there's the third aspect, which again somebody asked me about it, the B2B Hub and all the work in the accounts payable place. The idea there is to streamline accounts payable which otherwise has over the years become more and more of a nightmare to most people.

There's lots of people you're buying from, lots of people you're paying to. Trying to reconcile those two together and find a way to ensure that complicated payments are reconciled appropriately and don't leave you with enormous issues at the end of the cycle as well as providing access to easy credit. That kind of stuff is what the Mastercard B2B Hub can help with.

We don't provide the credit but we can help enable the efficiency of the accounts payable space. And then the last one which we're actually quite focused on and which shouldn't be the last but it's just that way I'm talking about it is actually capturing cross-border B2B payments. That's where Mastercard Send and HomeSend on the one hand combined with Vocalink on the other is to me the killer app." [2]

Ajay Banga, Mastercard CEO, Mastercard Q1 Earnings Call (Approx 40 min mark.), May 2018
http://investor.mastercard.com/investor-relations/events-and-presentations/event-details/2018/Q1-2018-Mastercard-Inc-Earnings-Conference-Call/default.aspx

Mastercard Investment Community Meeting | Sept. 2017

At the Sept. 2017 Investor Community Meeting - Mastercard published a presentation which set out several growth targets.
The slides can be found at: https://investor.mastercard.com/investor-relations/events-and-presentations/event-details/2017/September-Mastercard-Investment-Community-Meeting/default.aspx

As detailed during the meeting, Mastercard's central strategy is to quadruple its addressable market in payment flows to US$225Tn.

Mastercard states that its projected revenue growth potential sits in the range of low to mid teens. This comes from 5% annual growth and c4-5% secular growth in the core US$45Tn addressable market of PCE payment flows (personal and consumer expenditure). Mastercard also targets expanding its addressable market by targeting ~US$180T in new flows, driven by B2B, P2P and B2C.

The largest element of this targeted growth in the enlarged addressable market is the B2B segment generating US$120Tn of payment flows, while US$60Tn of addressable payment flows will come from the P2P/B2C markets. The published slides position HomeSend as a product solution for PCE, B2B and P2P/B2C payment flows.

This indicates the potential strategic importance of HomeSend to Mastercard.

Source: eServGlobal

1. Ajay Banga, Mastercard CEO, Mastercard Q2, Earnings Call, July 2017
2. Ajay Banga, Mastercard CEO, Mastercard, Q1 Earnings Call, May 2018

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