

MEDIA RELEASE

AUSTRALIA'S REMITTANCE BOOM TO CONTINUE, BUT COUNTRY LAGS IN PARTNERSHIPS TO IMPROVE COST AND SERVICE WITH NEW TECHNOLOGY, STUDY FINDS

*ACFS cites untapped potential in market worth \$7 billion and growing;
'We're missing a trick,' ACFS says*

Sydney, Australia 28 November 2012 - Australia's USD\$7 billion plus remittance industry will continue to grow, driven by the influx of migrants, but the country has left untapped an opportunity to improve costs and services to consumers through collaboration within the financial services sector, according to a study released today by the Australian Centre for Financial Studies (ACFS).

The independent report, "Remittances: Their Role, Trends and Australian Opportunities", was authored by the ACFS's Research Director, Professor Kevin Davis, and Research Officer Martin Jenkinson, with funding support from Western Union.

Speaking at the launch of the findings today in Sydney, ACFS Executive Director Professor Deborah Ralston said: "This research is one of the most comprehensive reviews of the remittance sector in Australia to date. We looked at the extent of remittances, the structure of the industry, the emergence of new technologies and how trends in the sector were impacting developing and developed markets.

"There is considerable scope for greater collaboration between Australian deposit takers such as banks, credit unions and building societies with Money Transfer Organisations who have "money-in-minutes" transfer capabilities and a global network advantage. Partnerships could lead to increased usage and contribute to substantially lowering the cost of providing remittance services – thereby reducing cost for consumers and increasing revenue for service providers.

"Given that 70% of remittances go to developing countries and form a significant part of the income of those nations, there is strong public interest as well as sound commercial reasons for greater collaboration between banks and traditional money transfer organisations to reduce the cost of transactions," said Professor Ralston.

Western Union's President and Chief Executive Officer, Hikmet Ersek, was on a visit to Sydney and said at the launch of the study: "This research highlights the enormous opportunity for Australian banks across what is now a \$7 billion industry.

"Australia has led the way for decades in leveraging the benefits of immigration – long-term and short-term, which is driving prosperity at home and improving the financial and social economies of developing countries, particularly within the APAC region.

"Remittances within the Asia Pacific region continue to increase as a result of strong GDP growth and an aging population. And with more than two billion people in the world with limited or no access to banking services, the potential for the banking sector to diversify traditional revenue streams and access untapped markets is substantial.

"In the past three years, remittances via Western Union within the APAC region grew over four times faster than the rest of the world.

“Our business lies at the nexus of cash, technology and globalization and we are already bringing together these forces by working with banks and other financial sector players around the world to facilitate affordable financial access with convenience,” said Mr Ersek.

Professor Ralston concluded: “The Australian banking sector has the opportunity to expand its reach and revenue potential by merging its technology with, and drawing on the significant resources of, MTOs to expand services beyond its traditional national borders, particularly to those countries at the nation’s door-step.”

ACFS estimates the direct contribution remittances make to Australian GDP to be in the range of AUD 336 million AUD 588 million per annum.

Key Research Report highlights:

GLOBAL WORKER TRENDS/COST

- The increasing globalisation of the work force means that many more millions of people are leaving their home countries to work abroad. For these individuals, convenient and fast access to international remittance services is important to support their families at home, particularly families in rural or less developed areas.
- The high fees faced by migrants and others for making remittances have been an issue of concern for policy makers both in Australia and internationally. There is greater scope for fee reductions through policies which address impediments to lowering resource costs incurred by remittance providers.

AUSTRALIAN BANKS

- Australian banks transmit the majority of international remittances through the SWIFT network in the form of transfers from one bank account to another and as international bank drafts, with funds delivered within a timeframe of one to three days. These remittances require a customer to have a bank account during the whole or part of the transaction cycle.
- They also do not serve consumers, including their own account holders, who require end-to-end service to areas unserved or under-served by banks, or who need to send cash to recipients virtually instantaneously.

MONEY TRANSFER OPERATORS

- Specialist money transfer operators (MTOs) such as Western Union, MoneyGram, and a large range of smaller institutions and informal operators have developed the networks, technology, and skills to provide virtually instantaneous transfers of funds between individuals in disparate parts of the globe, including rural and less served areas.
- MTOs lead transfers where the principal for remittances in the USD 1,000 to USD 5,000 range. Remittances higher than USD5000 are normally conducted through banks. Providing service at lower levels particularly in countries with poor financial services infrastructure is a resource-intensive and costly activity that banks have been unwilling or unable to replicate.

REGULATION

- The Australian Government has taken a global leadership position in its response to the perceived risk of remittance transfers with the recently strengthened Anti-Money Laundering and Counter-Terrorism Financing Act (2006 - section 6).
- The more stringent reporting and registration requirements coupled with the public availability of the register and enforcement of digressions suggest that Anti-Money Laundering and Counter-Terrorism Financing risks associated with compliant remittance service providers have been significantly reduced as a result of AUSTRAC's actions.
- But greater regulation has another consequence. It contributes to remittance costs, and so may inadvertently prevent development of more efficient practices and processes.

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About the Australian Centre for Financial Studies

The Australian Centre for Financial Studies (ACFS) facilitates industry-relevant and rigorous research, thought leadership and independent commentary. Drawing on expertise from academia, industry and government, the Centre promotes excellence in financial services.

The Centre specialises in leading edge finance and investment research, aiming to boost the global credentials of Australia's finance industry, bridging the gap between research and industry, and supporting Australia as an international centre for finance practice, research and education.

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About Western Union

The Western Union Company (NYSE: WU) is a leader in global payment services. Together with its Vigo, Orlandi Valuta, Pago Facil and Western Union Business Solutions branded payment services, Western Union provides consumers and businesses with fast, reliable and convenient ways to send and receive money around the world, to send payments and to purchase money orders. As of September 30, 2012, the Western Union, Vigo and Orlandi Valuta branded services were offered through a combined network of approximately 510,000 agent locations in 200 countries and territories. In 2011, The Western Union Company completed 226 million consumer-to-consumer transactions worldwide, moving \$81 billion of principal between consumers, and 425 million business payments. For more information, visit: www.westernunion.com