Understanding cross-border payments

A presentation by:
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The story of PayPal
A love/hate story

Started in 1999
>250 Million Active users
Available in 202 countries & 25 currencies
Average balance per account: $70
But......................
17 + years later…..
They would love to have PayPal

2016 #winou PayPal campaign For Tunisian Sellers
Where is PayPal ?

>>> Tunisian authorities inform that PayPal refused to open to Tunisia sellers
and refused to comply with Tunisian laws on currency exchange

>>> 2,200 likes and 30 dislikes
Comment from user: 23 dislike kolhom mil banque central :)

Seif
Aziz
I thought PayPal is available in 202 countries no?
Available for buyers

Africa

- Algeria
- Tunisia
- Cote d’Ivoire
- Ethiopia
- Kenya
- Mauritania
- Namibia
- Rwanda
- Sierra Leone
- Togo
- Angola
- Cameroon
- Democratic Republic of the Congo
- Gabon Republic
- Lesotho
- Madagascar
- Malawi
- Mozambique
- Namibia
- Seychelles
- Somalia
- South Africa
- Swaziland
- Tanzania
- Tunisia
- Uganda
- Zambia
- Burkina Faso
- Comoros
- Djibouti
- Egypt
- Guinea
- Gabon
- Morocco
- Republic of the Congo
- Sao Tome and Principe
- Senegal
- Swaziland
- Tanzania
- Uganda
- Zambia
- Zimbabwe
Available for sellers

Africa

Algeria
Angola
Cameroon
Democratic Republic of the Congo
Cabo
Mauritania
Mauritius
Niger
Saint Helena
Somalia
Tunisia
Uganda

Benin
Cape Verde
Djibouti
Gambia
Madagascar
Mayotte
Nigeria
Sao Tome and Principe
South Africa

Botswana
Chad
Egypt
Guinea
Guinea-Bissau
Malawi
Morocco
Brazil
Burkina Faso
Comoros
Eritrea
Guinea
Malawi
Mali
Mozambique
Namibia
Nigeria
Republic of the Congo
Senegal
Swaziland
Tanzania
Zimbabwe
Zambia

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Same problem with other e-providers

<table>
<thead>
<tr>
<th>Number of countries where service is available for sellers &amp; buyers globally:</th>
<th>Google</th>
<th>Amazon</th>
<th>Kickstarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>153</td>
<td></td>
<td>103</td>
<td>22</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Countries where service is available for sellers in Africa:</th>
<th>Google</th>
<th>Amazon</th>
<th>Kickstarter</th>
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<tbody>
<tr>
<td>5 Countries: Egypt, South Africa, Tanzania, Tunisia, Zimbabwe</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 Countries: Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Egypt, Gabon, Guinea, Kenya, Madagascar, Mali, Mauritius, Morocco, Mozambique, Namibia, Niger, Senegal, Togo, Uganda</td>
<td></td>
<td></td>
<td>None</td>
</tr>
</tbody>
</table>
Once I have PayPal it's all good, isn't it?
Once they have it, they may hate it

Non accepted merchant countries:
Why the hell don’t you accept me?

Accepted merchant countries:
What? You blocked my money?

Before  After
The funds freeze breeze

The 180 days (or more) funds freeze decision
Limited account access (can not receive or send money)
Intrusive and hard to comply with info/doc demanded
➢ Small business cashflow heart-failure death
Prusa 3D printer case

WARNING: BUSINESSES, NEVER USE PAYPAL AS YOUR PRIMARY PAYMENT METHOD. WE GOT OVER 1 MILLION USD BLOCKED

As you probably know, the last 6 months since the MK2 release were quite a ride. And now PayPal blocked our funds! We cannot send money cannot transfer them to our bank and we cannot even refund customers. This happened without even noticing and all of...

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Account no more

You can't use PayPal anymore

At PayPal, we value a safe community in which all our customers can do business. We noticed activity on your account that's inconsistent with our User Agreement and can no longer offer you PayPal services.

Any bank account or credit card details linked to your PayPal account cannot be removed nor can it be used to create a new account. You can still log in and see your account information but you can’t send or receive money. Any money in your balance will be held for 180 days, at which point we'll send you an email with instructions about transferring your money.

Reference # PP-

Continue
What are the reasons behind cross-border payments difficulties?
The Tripod Problems of E-commerce
The common over simplification of the problems

Marketing
I just need money

Payments
I offer what accepts me

Logistics
I charge buyer at cost
The Triptych of Problems for E-commerce
The entangled reality of the problem and their causes

Marketing
I improve my content & CRM

Financial promotion restrictions
Data privacy, security & location
Consumer protection, returns, refunds
180 Days repudiation rule (cards)
Passporting (Mastercard, VISA...)
Licensing (Deposit taking vs PSP)
Equivalences (OECD vs the rest)
Currency exchange controls
Fiscal Evasion (Offence vs Crime)
Banking regulations (Bale 1,2,3)
Anti money laundering & compliance

Payments
I offer payment methods
Preferred by my buyers

The Fiscal
Damocles / Jedi
Lightsabre

Logistics
I offer free shipping
And Free returns

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### Practical Recommendations for Unlocking cross-border payments
(to be assessed and contextualized)

<table>
<thead>
<tr>
<th>Developing countries Authorities:</th>
<th>International regulators &amp; players:</th>
<th>LDC merchants:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reform currency control laws ASAP</td>
<td>Adapt passporting rules to LDC merchants</td>
<td>Digitize supply chain</td>
</tr>
<tr>
<td>Stop payment industry monopoly</td>
<td>Passporting authorized by default</td>
<td>Officialise business (Tax ID)</td>
</tr>
<tr>
<td>Adopt e-money &amp; e-currency legislation</td>
<td>Base regulation on country of buyers</td>
<td>Provide docs &amp; info</td>
</tr>
<tr>
<td>Establish thresholds before regulation</td>
<td>Accept LDC AML SROs</td>
<td>What is sold to whom</td>
</tr>
<tr>
<td>Allow self regulated organization (SRO)</td>
<td>Reduce pressure &amp; punishment on PSPs</td>
<td>Understand AML</td>
</tr>
<tr>
<td>Align with International AML laws</td>
<td></td>
<td>Coop / Consolidate / Mutualize</td>
</tr>
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<th>Other Banking/regulators recommendations:</th>
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<td>Force central banks and commercial banks to enable outgoing FX without regulation for at least 10% of FX flows</td>
</tr>
<tr>
<td>Establish threshold of yearly turnover below which virtually no AML regulation applies to SMEs (USD 100,000/year)</td>
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<tr>
<td>Regulate commercial banks to have a minimum of income made from trade transactions fees vs Credit/deposits interests</td>
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<th>International acquirers/issuers (Mastercard, Visa card):</th>
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<td>Design micro-acquiring and micro-issuing licenses to spur native LDC payment operators</td>
</tr>
<tr>
<td>Reduce entry capital requirements and guaranties for LDC payment operators</td>
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<th>Commercial banks in OECD countries:</th>
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<td>Accept to open business accounts for same jurisdiction companies owned/directed by non residents</td>
</tr>
<tr>
<td>At the moment all banks in UK refuse to open account for a UK company unless it has a local resident director</td>
</tr>
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