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## Understanding cross-border payments

A presentation by:  
Mohamed Es Fih (ITC)  
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### The story of PayPal A love/hate story

Peter



Elon

Started in 1999  
>250 Million Active users  
Available in 202 countries & 25 currencies  
Average balance per account: \$70  
But.....





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17 + years later.....  
They would love to have PayPal

Seif



Aziz

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 :)



I thought PayPal is available in 202 countries no ?

### Available for buyers

#### Africa

- Algeria
- Burundi
- Cote d'Ivoire
- Ethiopia
- Kenya
- Mauritania
- Namibia
- Rwanda
- Sierra Leone
- Togo
- Angola
- Cameroon
- Democratic Republic of the Congo
- Gabon Republic
- Lesotho
- Mauritius
- Niger
- Saint Helena
- Somalia
- Tunisia
- Benin
- Cape Verde
- Djibouti
- Gambia
- Madagascar
- Mayotte
- Nigeria
- Sao Tome and Principe
- South Africa
- Uganda
- Botswana
- Chad
- Egypt
- Guinea
- Malawi
- Morocco
- Republic of the Congo
- Senegal
- Swaziland
- Zambia
- Burkina Faso
- Comoros
- Eritrea
- Guinea-Bissau
- Mali
- Mozambique
- Reunion
- Seychelles
- Tanzania
- Zimbabwe



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### Available for sellers

#### Africa

- |  |  |   |   |   |
|--|--|---|---|---|
|  Algeria        |  Angola                           |  Benin                   |  Botswana                |  Burkina Faso    |
|  Burundi        |  Cameroon                         |  Cape Verde              |  Chad                    |  Comoros         |
|  Cote d'Ivoire  |  Democratic Republic of the Congo |  Djibouti                |  Egypt                   |  Eritrea         |
|  Ethiopia     |  Gabon Republic                 |  Gambia                |  Guinea                |  Guinea-Bissau |
|  Kenya        |  Lesotho                        |  Madagascar            |  Malawi                |  Mali          |
|  Mauritania   |  Mauritius                      |  Mayotte               |  Morocco               |  Mozambique    |
|  Namibia      |  Niger                          |  Nigeria               |  Republic of the Congo |  Reunion       |
|  Rwanda       |  Saint Helena                   |  Sao Tome and Principe |  Senegal               |  Seychelles    |
|  Sierra Leone |  Somalia                        |  South Africa          |  Swaziland             |  Tanzania      |
|  Togo         |  Tunisia                        |  Uganda                |  Zambia                |  Zimbabwe      |

### Same problem with other e-providers

Number of countries where service is available for sellers & buyers globally:	Google	Amazon	Kickstarter
	153	103	22
Countries where service is available for sellers in Africa:	5 Countries: Egypt, South Africa, Tanzania, Tunisia, Zimbabwe	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	None

Once I have PayPal its all good, isn't it?

Once they have it, they may hate it

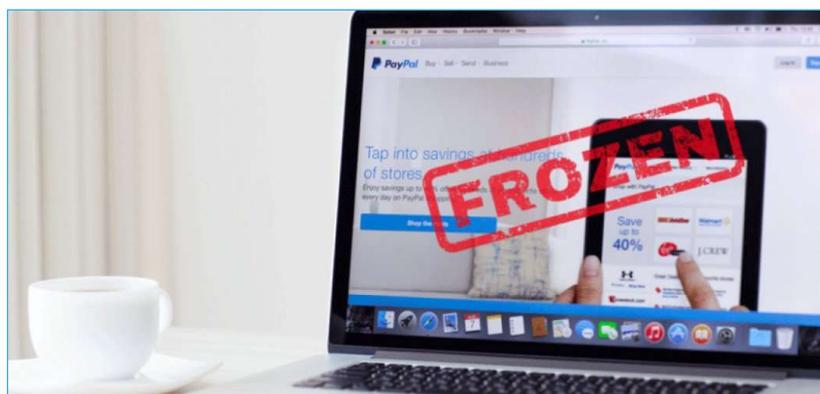


**Non accepted merchant countries:**  
Why the hell don't you accept me ?



**Accepted merchant countries:**  
What ? You blocked my money ?

## 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

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The screenshot shows a blog post from Prusa Printers. The header includes the Prusa Printers logo and navigation links: Home, Calculator, Color Print, Prusa i3, Original Prusa i3 kit, Blog, and Forums. The main heading of the post is "WARNING: BUSINESSES, NEVER USE PAYPAL AS YOUR PRIMARY PAYMENT METHOD. WE GOT OVER 1 MILLION USD BLOCKED". Below the heading is a breadcrumb trail: Home / Uncategorized / WARNING: BUSINESSES, NEVER USE PAYPAL AS YOUR PRIMARY PAYMENT METHOD. WE GOT OVER 1 MILLION USD BLOCKED. The post features a profile picture of Josef Průša and a large "PayPal" logo with a red prohibition sign over it. A "RECENT POSTS" sidebar on the right lists several articles, including the one being viewed. The main text of the post begins with: "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 warning over night and of".

## 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-

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What are the reasons behind cross-border payments difficulties ?

The Tripod Problems of E-commerce  
The common over simplification of the problems

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**Marketing**  
I just need money



**Payments**  
I offer what accepts me

**Logistics**  
I charge buyer at cost



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## 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)

### Developing countries Authorities:

- Reform currency control laws ASAP
- Stop payment industry monopoly
- Adopt e-money & e-currency legislation
- Establish thresholds before regulation
- Allow self regulated organization (SRO)
- Align with International AML laws

### International regulators & players:

- Adapt passporting rules to LDC merchants
  - Passporting authorized by default
  - Base regulation on country of buyers
- Accept LDC AML SROs
- Reduce pressure & punishment on PSPs

### LDC merchants:

- Digitize supply chain
- Officialise business (Tax ID)
- Provide docs & info
- What is sold to whom
- Understand AML
- Coop / Consolidate / Mutualize
- Corporate Internationalization

### Other Banking/regulators recommendations:

- Force central banks and commercial banks to enable outgoing FX without regulation for at least 10% of FX flows
- Establish threshold of yearly turn over below which virtually no AML regulation applies to SMEs (USD 100,000/year)
- Regulate commercial banks to have a minimum of income made from trade transactions fees vs Credit/deposits interests

### International acquirers/issuers (Mastercard, Visa card):

- Design micro-acquiring and micro-issuing licenses to spur native LDC payment operators
- Reduce entry capital requirements and guaranties for LDC payment operators

### Commercial banks in OECD countries:

- Accept to open business accounts for same jurisdiction companies owned/directed by non residents
  - At the moment all banks in UK refuse to open account for a UK company unless it has a local resident director



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