

ARIAS Remittance System

Emerging Risks in Emerging Payments

Conference at the Federal Reserve Bank, Atlanta, 15 – 16 Nov. 2010

Small International Payments

Small International Payments are one of the fastest growing areas of the payment processing market, fuelled by globalization, e-commerce and mobility of labor.

However, existing payment systems for international payments are characterized by manual processes, cumbersome technology, and lack of automation. As a result, a SWIFT money transfer at a bank today takes three days and costs around \$40.

Mobile Payment Providers, Stored Value Operators, Prepaid Companies, Banks and Online Payment Providers are therefore looking for new international payment solutions which can keep pace with their service offerings and demanding customers.

The market for mobile payments alone is expected to reach \$11.5B by 2011.

ARIAS Payment Processing System

ARIAS is a comprehensive processing system for small money transfers. It combines a central data processing and settlement hub with various user interfaces that connect to different payment providers.

- Central Hub with multicurrency settlement and administration tool to manage all business aspects: compliance, commissions, payment points, FX rates, risk, etc.
- Consumer Website for Registration and Transfer Initiation;
- API for integration with Pin-Pad Devices like Mobile Phones, PoS Terminals, and IVRs.
- Web Service API for Integration with Third Party Systems
- Connection to Various Payment Systems (ACH, SEPA, etc.)

The ARIAS Processing Network

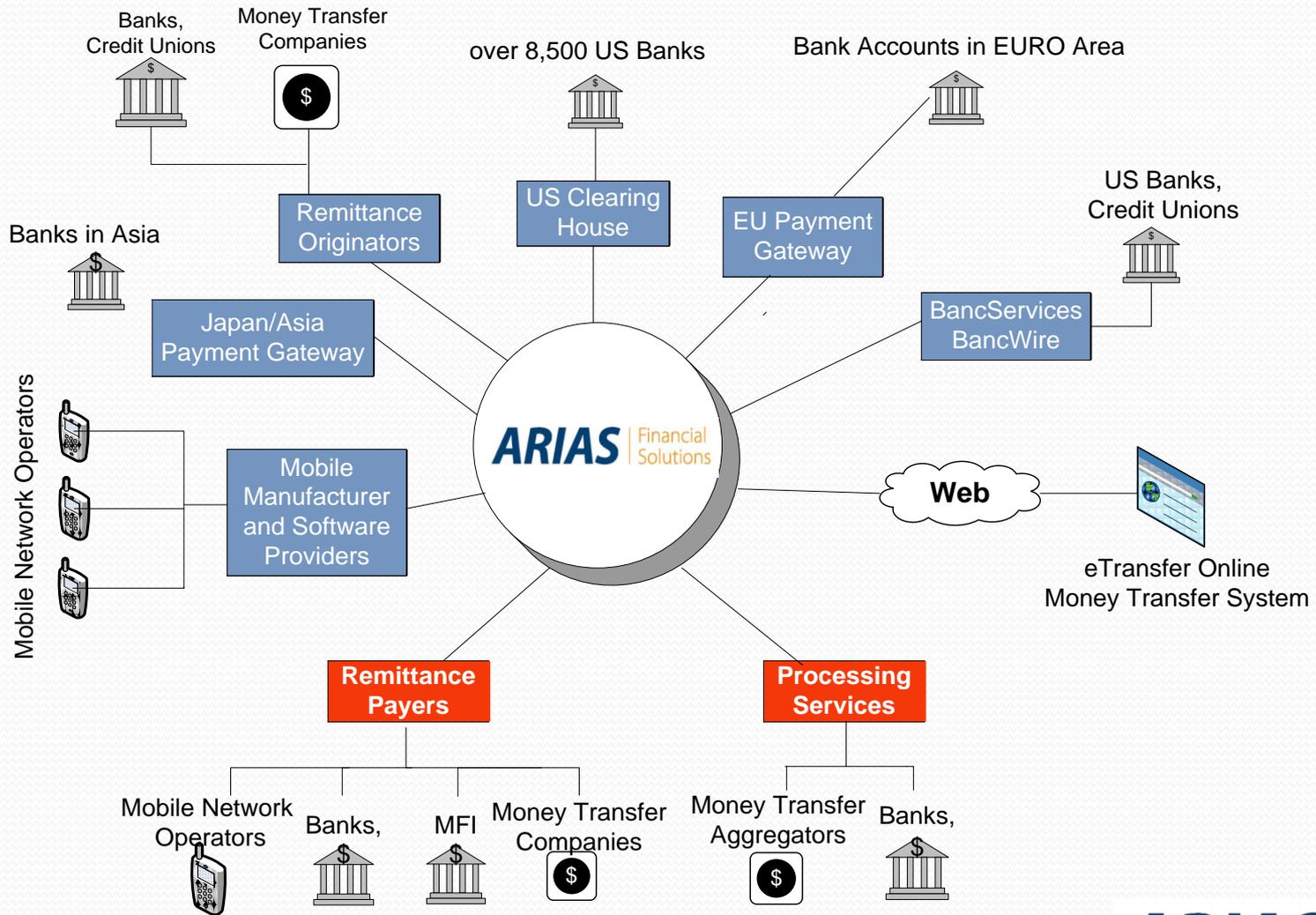
ARIAS connects sending and receiving institutions across the world to one real time payment network. Overall, more than 35,000 sending and receiving locations in over 90 countries are connected to our system.

ARIAS originators include banks, payment processors, a national payment system, prepaid card providers, mobile payment providers, money transfer companies, online payment systems, and electronic kiosk/ATM providers in many European countries, the US and Canada.

The distribution network includes the major remittance receiving countries across the world (see following slide), all European countries (account transfers only) and many others.

ARIAS offers payments across our network at low fixed price by country or region. Please request the latest distribution list.

The ARIAS Processing Network 2/2



Key Challenges and Risks in Small International Payments

Processing a large volume of small payments across borders in real time between many different institutions creates a multitude of challenges:

- Multiple Jurisdictions and Compliance Regimes
- Multiple payment file formats
- Technical issues with different languages (spelling of foreign names)
- Real time payment attracts fraud
- Lack of government identification
- Control (service quality, compliance requirements)
- Communication and cooperation

Multi-Party and Multi-Level Payment Administration



ARIAS Processing System includes a multi-level and multi-party administration system that allows ARIAS and its clients to control various parameters flexibly at the level of the payment “Ecosystem” where it is most effective (centrally or locally), for example:

- Compliance Limits
- Credit Limits
- Applicable Government Watchlists
- Access to data (Must See Policy)
- FX Rates
- Commission

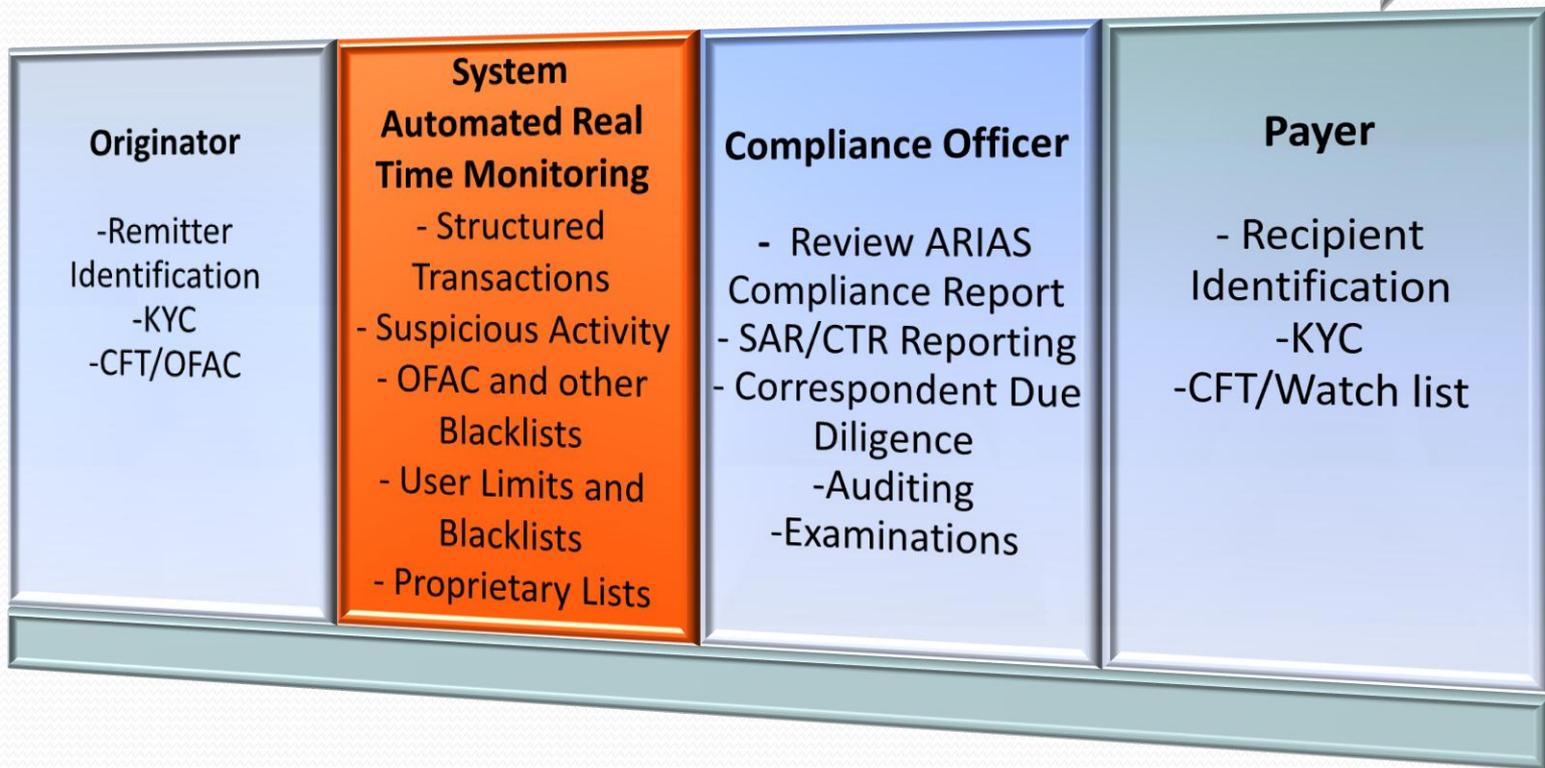
ARIAS Compliance and Fraud Prevention

Compliance was a key concern in the development of the ARIAS System. The system contains a sophisticated compliance module that automatically checks every transaction in real time:

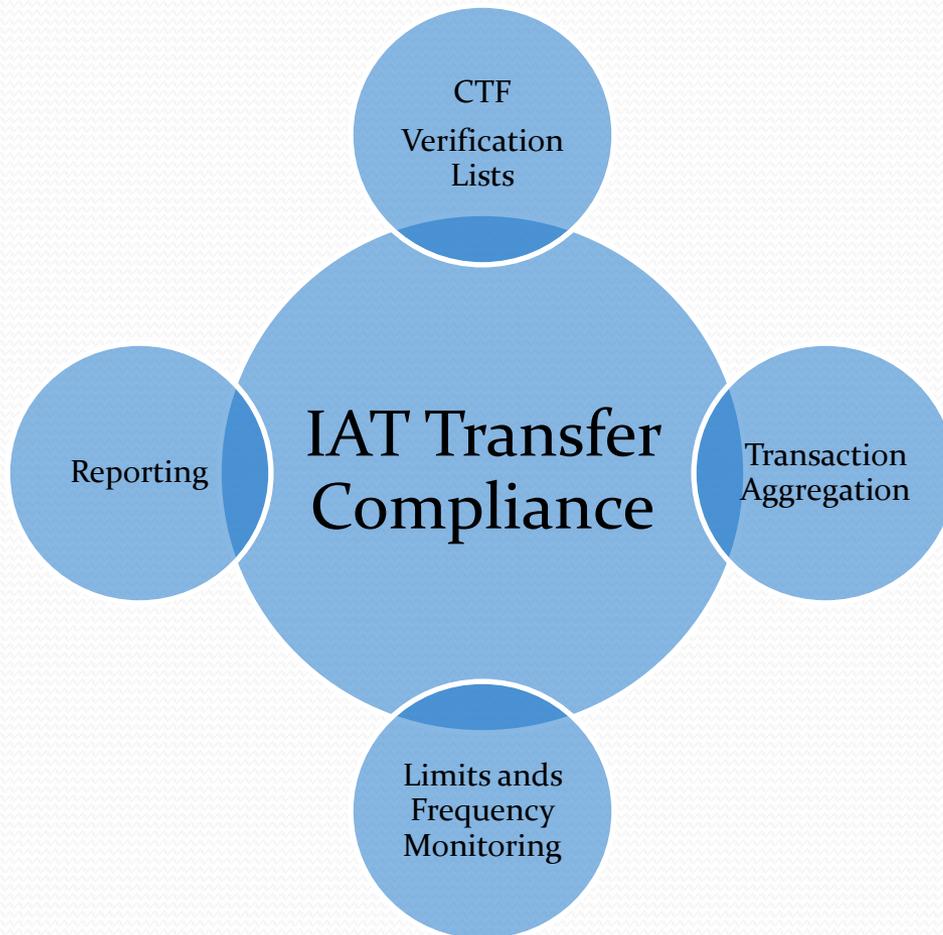
- Real time transaction aggregation across licensees and between potentially “related transactions”.
- Real Time Monitoring for suspicious activity.
- Real time monitoring against government blacklists.
- Internal reporting of potentially suspicious and related transactions.
- Online teller guidance.

As a result ARIAS offers superior compliance and has been supported by state and federal regulators for its exemplary compliance regime. ARIAS’ compliance functionality has been reviewed by various state and Federal regulators and government authorities

ARIAS Compliance Monitoring



Real Time Automated Transaction Monitoring



The ARIAS system will scan all payment instructions received in real time before they are passed on to the Payer for potentially structured transactions and against OFAC and other watch lists.

All transactions are also monitored against limits set by Users and aggregated if they share specific criteria such as names, phone numbers, addresses etc.

The module generates summary reports for review and further processing.

Risk Management: Monitoring for Suspicious Activity

Risk Monitoring is done via a proprietary compliance matrix that identifies any form of unusual activity by aggregating transfers across users, remitters and recipients based on variable parameters such as similar names, phone numbers and addresses.



The system allows to flexibly set limits and determine actions that need to be taken if limits are exceeded, e.g.:

- Verify identity of remitter;
- Provide background of the transaction;
- Include the transaction in a compliance report for further investigation;
- Block or freeze the transaction.

Verifications Lists

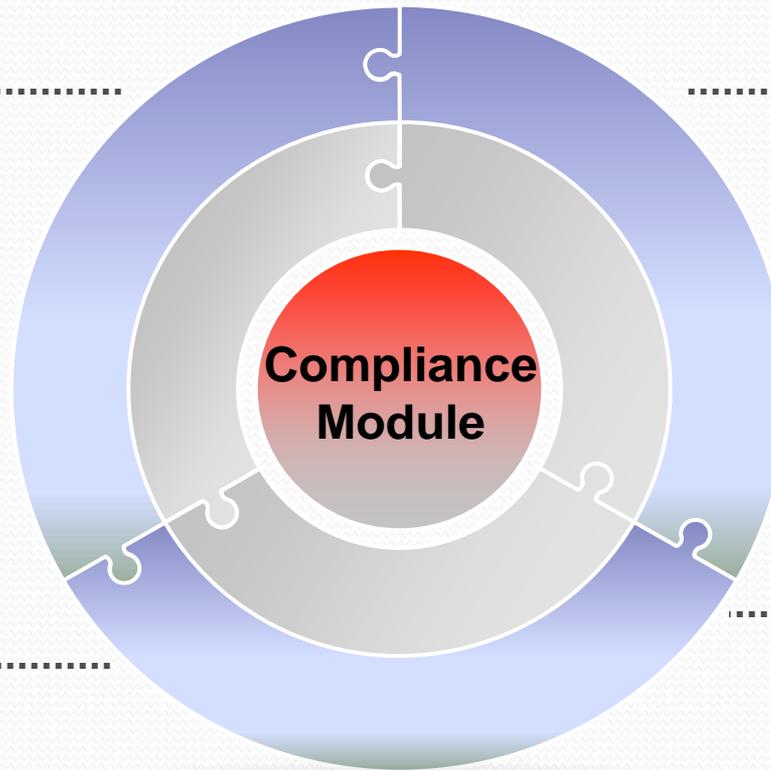
The ARIAS Verification Lists Manager includes four verification steps:

1. User Determines
Applicable Watch Lists
and Sensitivity

2. Automatic Real
Time Check

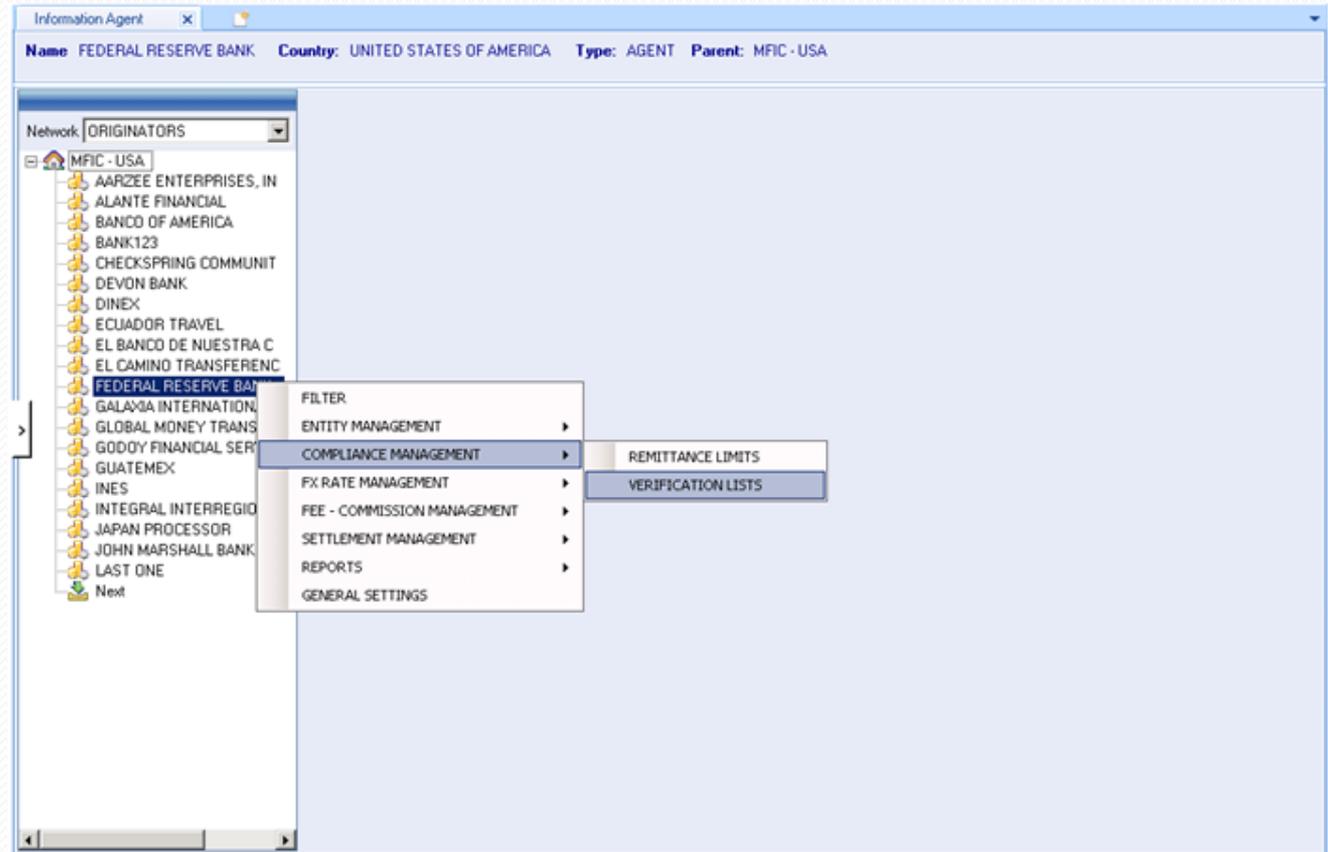
3. Block and Notify

4. Release or Report and
Freeze



Verifications Lists

ARIAS has the capability to determine which watch lists need to be monitored against according to our customer's regulatory requirements and compliance policies.



KYC – Customer Registration

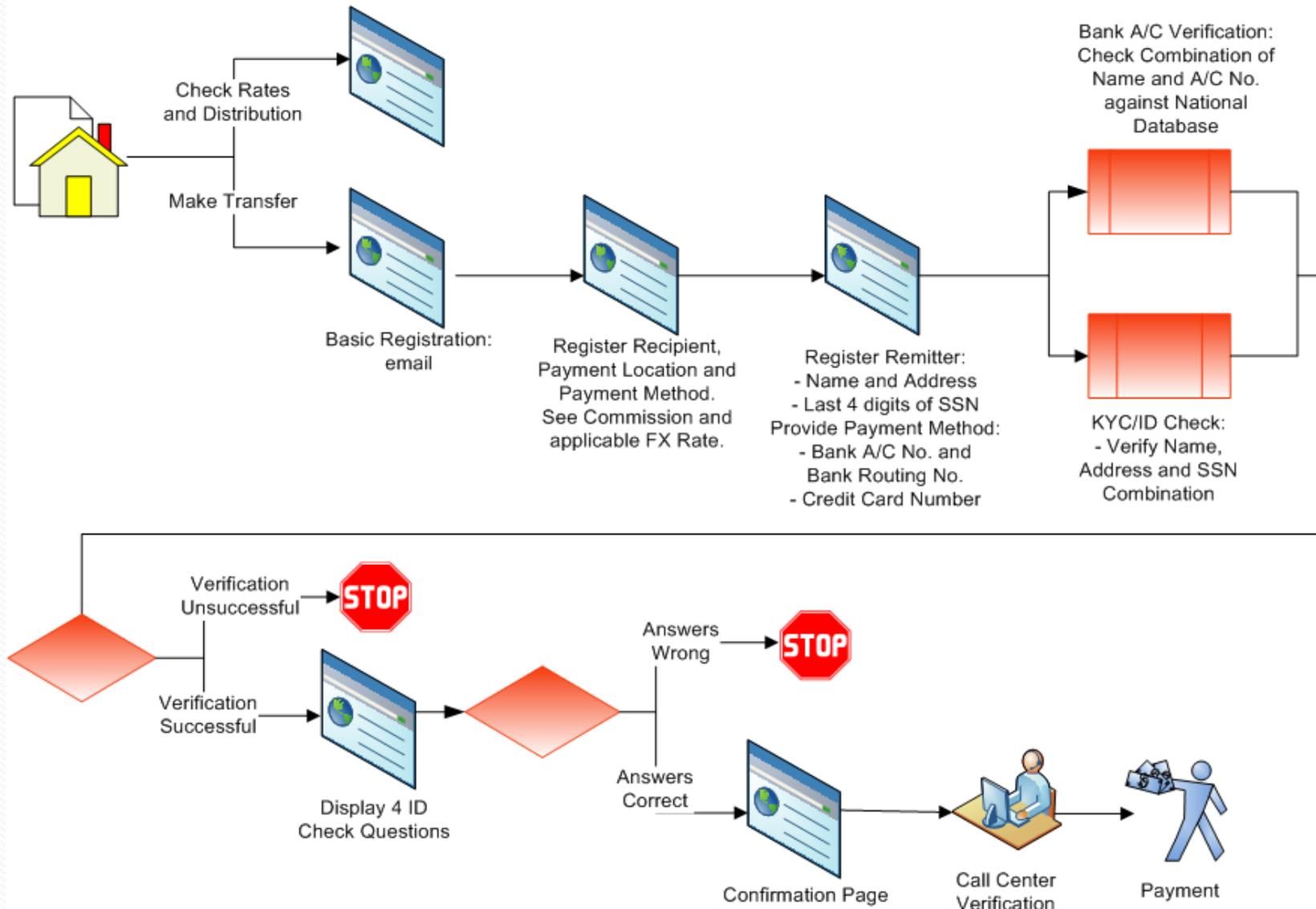
The screenshot displays the Remesas web application interface. The browser window title is "Remesas - Windows Internet Explorer" and the address bar shows "http://190.95.217.134/RemittanceWeb/View/main.aspx". The application header includes the ARIAS logo and a "Log Out" button. The left sidebar contains a navigation menu with categories like "Current User", "Phone User", "Reports", "Compliance", "Search", "Adm Account/Card Holders", and "Security". The main content area is titled "Remittance" and features a "Find Recipient" dialog box. This dialog box contains a "New Recipient" form with the following fields:

Field	Value
Document ID	[Dropdown]
First and Middle Names	JOSE
Last Names	PEREZ
Date Of Birth	[Calendar]
Street Address	PRIMERA Y SEGUNDA
City	33542 PARANA
State / Province	ENTRE RIOS
Country	ARGENTINA
ZIP Code	[Empty]
Phone	[Empty]
Security Question	RELATIONSHIP
Answer	FRIEND

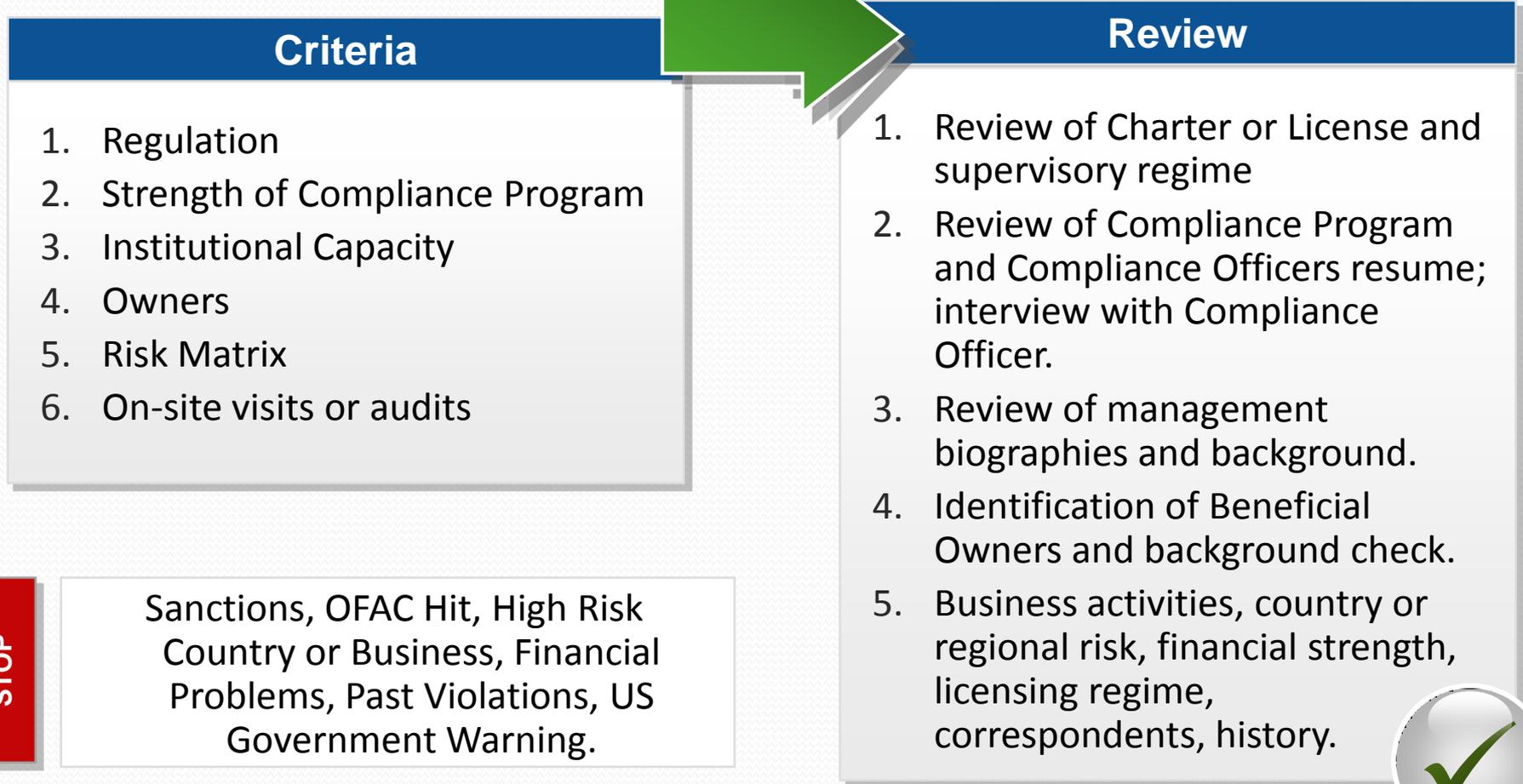
The background form in the "Find Recipient" dialog shows the following information:

Field	Value
Sender Name	JOHN
Last Name	SMITH
Phone	217555123
Payer Country	ARG
Payment Type	CAS
State	ENT
City	PAR
Currency	UNT
Payer	BAN
Branch	BBV

Online KYC and Verification Process



Correspondent Due Diligence Overview



ARIAS is a division of **Microfinance International Corporation (“MFIC”)**

MFIC is a US corporation headquartered in Washington, DC with sales and representation offices in Tokyo and Madrid.

The company was founded in 2003 by Atsumasa Tochisako after a 27 year career at Bank of Tokyo. Its management and Board of Directors include prominent senior US regulators, bankers, remittance experts and technology entrepreneurs.

MFIC won various awards, including the 2008 \$1M Legatum Fortune Technology Prize and Schwab Social Entrepreneur of the Year Award 2009.

Shareholders include FMO, a private-public investment bank of the Netherlands; Tokyo Marine and Fire Insurance; Development Bank of Japan; Global Brain, a Japanese Venture Capital Fund; and INES, a leading system integrator in Japan.