

Testimony of

Mr. Mark Thompson

On Behalf of

The Western Union Company

To The

House Financial Services Committee Subcommittee on Domestic and International  
Monetary Policy, Trade and Technology

Hearing on Remittances: Access, Transparency, and Market Efficiency – A Progress  
Report

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Mr. Chairman, Members of the Committee:

Good Morning. My name is Mark Thompson and I am an Associate General Counsel of The Western Union Company. I appreciate the opportunity to provide testimony at today's hearing.

Although Western Union began sending money for customers 135 years ago, when the Western Union Telegraph Company started offering telegraphic money transfers throughout the United States, the international remittance market as we now know it is relatively young. Two decades ago immigrants did not have an affordable, convenient, fast and reliable means of sending small amounts of money to friends and relatives in other countries. International money transfer services were available only to wealthy individuals with banking relationships. Over the last two decades, Western Union has played, and continues to play, a central role in expanding the use of electronic remittance systems and enabling millions of immigrants to send money back home to their families. Today, Western Union provides a convenient, fast and reliable way to send money in over 195 countries and territories.

Nearly all experts now agree that the cost of remittances has dropped significantly over the past five years. In its November 2005 report on the industry, the GAO found that "competition in the remittance market has resulted in a drop in the cost to send remittances...." The Inter-American Dialogue found that the cost of sending remittances from the United States to Latin America (as measured by percentage of principal) fell from 12.5 percent in 2003 to 7 percent in 2005, and average as low as 4% in countries

with higher levels of competition. As competition continues to increase, we anticipate that this trend will continue.

Price is not the sole factor considered by consumers--in fact, for some consumers price falls behind other factors, such as security, speed, reliability and convenience. Although we agree that consumers should have the ability to discern the costs of products as they shop, we also believe that too often remittances are viewed by policymakers as a commodity, with consumer decisions driven only by price. Our experience is that, in addition to the fees and exchange rate, customers will often ask questions such as "When will I be able to send money? Are you open on weekends? Will my money get there? How long will it take to get there? Can my family members pick the money up in their village or town? Will my relatives have to open a bank account to get their money?"

We agree with the general principle that consumers should have adequate information to make an informed decision as they choose among providers, and we agree that remittance transfer providers should disclose this information to potential customers.

We support transparency with respect to fees and foreign exchange rates. With limited exceptions, at the time a transaction originates in the United States, Western Union provides its customer with a written receipt that clearly states the following information: 1) the amount (stated in U.S. dollars) that the customer has presented for transfer; 2) the fee (stated in U.S. dollars) that Western Union charges for the transfer; 3) the total amount (stated in U.S. dollars) that that customer has provided to Western Union (this is

the sum of the first two items); 4) the retail currency exchange rate that Western Union will apply to the transfer; 5) the amount (stated in the currency of the payout country) that Western Union will provide to the recipient of the transfer; and 6) a statement advising the consumer that Western Union makes money from currency conversion.

We believe this type of information gives customers the information they require to make an informed decision. We believe that requiring a disclosure that would reflect the difference between the exchange rate Western Union offers to a consumer and the exchange rate established by the U.S. Treasury Department -- as set forth in legislation in past years -- would not be relevant to the consumer and could have adverse effects, such as reducing competition in exchange rates.

To lower the cost of international remittances, the Federal Reserve is working with banks to expand the use of the ACH system for international remittance transfers. While we agree the Federal Reserve ACH system can provide a lower cost structure when both the sender and the receiver have bank accounts, we believe companies such as our company are valued by senders and receivers because no bank account is necessary. For us, banked individuals on both ends of our transactions are the exception, not the rule (although our studies show a majority of our U.S. senders are banked).

Other studies indicate that a majority of receivers in Latin America are unbanked. In Mexico, for example, approximately 29 percent of individuals who receive remittances are banked. We encourage you to consider assisting companies that are willing to create

networks not served by the banks in order to serve unbanked individuals at a lower cost. For example, if a company were allowed to open an account at the Federal Reserve and utilize the Fed's services, it would be able to eliminate one layer of the money transfer cost structure, that being the need to move the money through a traditional banking institution in the United States.

We support the policy goal of making remittances more available and affordable to consumers. Given our commitment, and the commitment of other remittance providers, to serve our consumers, we believe that legislation should not grant advantages to banks and credit unions that are not available to traditional remittance providers. Such legislation would create an un-level playing field and place the Congress and the federal agencies in the position of choosing winners and losers in a competitive and evolving market. It would also presume that remittance services provided by such financial institutions are cheaper than those of traditional remittance providers, ignoring the high fees and penalties associated with checking accounts, ATM transfers, and other services.

#### Additional Comments Regarding Past Remittance Legislation

In addition to the issues raised above, Western Union also has the following comments regarding general topic areas of remittance legislation that has been introduced in past years. While we understand that the committee may consider a bill that is different in some respects from HR 928, introduced in the 109<sup>th</sup> Congress, we thought it would be appropriate to voice our concerns with the previous proposal so that our views might be of some assistance moving forward.

### Date of Delivery

Western Union's person to person money transfer services are generally available immediately (usually within 10 minutes), except in certain foreign countries where the recipient country restrictions prevent that from happening. Western Union discloses to consumers when and why delivery may not be immediate. In addition, Western Union offers a next-day service to certain international markets where senders choose to have their money available within 24-hours for the recipient. Consumers pay a lower money transfer service fee for this service. Western Union also offers a home delivery service in certain international markets. For these reasons, an exact promised date of delivery is often difficult or impossible to provide.

### Name and Address of Recipients

Depending on the location in a country, recipients may not have formal addresses or telephone numbers. The recipient may also be traveling and his/her home address may not be relevant to the transaction. Consequently, it would be impossible to create a standard form to track the addresses or telephone numbers of recipients in 195 countries and territories. Western Union requires the sender to provide the name of the intended recipient and city and country of payout. Western Union has operating procedures in place to assure that the intended recipient is the person to whom we deliver the money.

### Exemption to Receipt Requirement

Our position is that mailed receipts should be required if the customer so requests. Often times, the consumer may not request a receipt due to the fact that he or she may be traveling. In addition, our telephone initiated transactions are not "conducted entirely by

telephone". They are initiated by telephone but completed by payout in person at an agent location.

### Error Resolution

Our error rate and related customer complaints are very low. Safeguards are provided through state licensing of money transmitters, state examination of money transmitters as well as federal and state consumer protection laws. This requirement would shift the burden of proof of demonstrating that an error has been made from the consumer to the remittance provider. Shifting the burden to the provider opens the provider up to fraud because it would be easy for the consumer to get a payout by simply alleging that the provider paid money to the wrong person. Western Union believes the time period involved is too long given that most transfers are paid out within a day or two. A bank account holder under the UCC is required to notify its bank within 30 days of receipt of his/her statement of an error or such account holder begins to lose its right to make claims against the bank for an error, with an absolute bar on claims against the bank arising after one year. See UCC 4-406. A similar standard should apply here.

### Remedies

While it is reasonable to ask the provider to respond substantively to a complaint within 90 days, exceptions should be provided when the information requested may take more than 90 days to retrieve the information off receipts in remote countries and report back to the United States. Any legislative approach should recognize that we are not dealing with the U.S. ACH system as is the case under the EFT Act and Regulation E. We are

dealing with transfers that may involve receivers in remote regions of the world such as in Africa, the Middle East and Asia.

### Agents and Subsidiaries

State money transmission laws require a money transmitter to adequately supervise its agents and impose liability on the money transmitter if it fails to do so. Money transmitters are also uniformly responsible for the transmission of the customer's money regardless of whether that money is received by the money transmitter from its agent or not. In accordance with the Law of Agency, agent violations of law are outside the scope of the agency and the principal is not liable for such violations. A new federal standard making money transmitters, as the principal, liable for violations of law by their agents is unnecessary and contrary to current state law. Such a standard would likely cause providers to shrink their networks with respect to low volume agents, thus reducing availability of services to the unbanked and low income communities.

### Conclusion

Thank you for the opportunity to appear before you today on behalf of The Western Union Company. We look forward to working with the Subcommittee as you continue to examine this issue.