

Roy Sosa

Male Speaker:

Hello, incredible pleasure to be here. It has been about been, I want to say, seven months since I have been at a Federal Reserve meeting, and it is just amazing to see how far we have come when it comes to payments. My background started actually in dealing with the two topics that we are addressing today. One is serving the underserved and the other one is alternative payments. Way back in 1999, before prepaid was officially prepaid we had this idea that, hey, you should be able to buy a debit card or open an account at a local convenience store. And 11 years later, it has become an entire industry that has spanned the globe with a reportedly total volume here by the end of 2012 that is supposed to reach hundreds of billions of dollars.

So why are we still in this business when we could have just moved to Tahiti or South of France? And the reality is because of the mission of empowering the underserved is still very much at the core of who we are as individuals. It has become our personal mission statement. But at the same time because the innovation continues to be a key component how we believe we can radically change paradigms and make it where the large portion of the world's population that is outside of financial services can be included in and the reason why we care about that is not just from philanthropic or social impact perspective, because it is ultimately good business, and it is good for us, good for our economies. So I'll try to run you through a quick introduction of who we are as well as a quick snapshot of the trends that we have seen as we invested and grown companies around the world, all of them dealing with this issue of financial inclusion, leveraging technology.

So we will global context, key trends and also something that we learned very early, 10 years plus ago on the fact that the product has to be aligned with the customer's needs. We can think in terms of a prepaid card, we can think in terms of product, a mobile banking, mobile payments, but the reality is ultimately there customer needs to be addressed and the products, the programs, the companies don't exist unless we actually make sure that there is that alignment.

So since we grew one of the first prepaid companies in the world into a billion plus dollar company, we have decided that the opportunity outside of prepaid in the United States was much greater and so we decided to commit a hundred million dollars out of our own capital and went out and launched a venture fund whose mission was to actually invest in three different buckets. One were we felt where it was more of an infrastructure, building branchless banking networks around the world to address, as Jennifer touched on, the money in, money out, interstitial that is necessary for any kind of payments for the underserved. Second, mobile payment applications because we also recognized that we needed to focus on the actual development of products, technology that went from the lowest common denominator the SMS or USIDD, all the way to Smart phone applications, Android, iPhone, iPad, you name it. And then lastly I advanced financial services in where today we are starting an asset development and so from meetings with the New York Fed five years ago we were talking about launching the first ever national savings program for the unbanked. And now we are actually are talking about, hey, we

actually want to launch some of the first mutual funds programs for the underserved at retail, on mobile and online. And oh by the way, we were looking at expanding that internationally.

But it is not just about the for profit endeavors that we have which always have a double bottom line but at the same time recognize that our investments have to go beyond those and really do a collaborative effort both with academia, NGOs and also government. To that effect, we have committed and we have already exceeded our commitment of over thirty million dollars to Clinton Global Initiative, that was a couple of years ago, we also funded an empowerment lab at Harvard University to work with academia and really figure out a long term strategy about, okay, so if you bring the cost of remittances, for example, and you bring it down from 15 percent or \$10 to \$2. Or if you enable micro remittances so that Jose can send Maria \$5 if he needs to and it is not -- it is going to make sense from a fee perspective, what is the impact to the communities both in the U.S. and Rainmex [spelled phonetically], in this particular example? And then lastly we recognize that all our efforts are augmented when we actually partner with Finance Minister Central Banks and try to figure out how do we craft -- how do we help educate in terms of regulation? When I say educate, educate from the practical perspective, where we are able to share with everybody what's working, what's not working, hey we can have an idea for a particular regulation but if it breaks a business model and nobody wants to play, did that regulation have the intended result? And to that extent, we have been very active at both, whether it has been OACD or World Economic Forum.

From portfolio perspective we view our ventures as the entity that provides the nutrients, basically the checkbook and then we have a series of portfolio companies that again, Rev, which is the company that ultimately [unintelligible], money in and money out, an international company with presence in every continent except for Africa and Antarctica, and we actually plan to correct the absence in Africa before the end of the year. Mango, a chain of retail stores, which we launched, the first one here in the United States and our intention is to actually do the financial services to the underserved what Steve Jobs did to computer retail stores. And Par Mobile [spelled phonetically] is the company that actually develops the mobile applications. Gracesure Capital [spelled phonetically] is a mutual fund management company. And Empower [unintelligible] [spelled phonetically] is an additional investment that we made where we recognize that there companies out there, there are entrepreneurs around the world that are coming up with the latest and greatest ideas, and that while we would like to write a check and invest in them, it is always a lot better when we also give them a platform on which they can build their businesses, akin to imagine if Coca-Cola decided, "Hey, if you guys want to come up with a new beverage, leverage my bottling plant and leverage my relationships with retailers and leverage my expertise in making sure that get the correct FDA approvals," and so on and so forth.

Today, our core business from a Rev perspective and Par Mobile is the fusion, the seamless integration of prepaid with mobile payments and mobile banking. The idea is that the cost of transactions both in terms of time and money are extremely important to

the customers, retailers, telcos and banks and the only way to make it work is when you have it seamlessly integrated.

Some of the products that we have under the Par Mobile are really going to the consumer small business and enterprise, on the consumer side the focus is on moving money from point a to point b, between accounts, between financial institutions, between countries. On the small business, [unintelligible] is the ability to enable the small merchant, whether it is a lady working at a market in Mexico or Vietnam or Kosovo to be able to accept credit cards. Again, today the likes of Visa, MasterCard, Amex, Discover and others have done a fantastic job in the Western world and the United States in getting us to have our payments, car payments, to work. Well, in a country like Mexico, which has roughly a third of the U.S. population, it has actually one thirtieth of the point of sale and ATM devices. But at the same time, it has in excess of 50 million mobile phones so we think that the mobile phone becomes the next point-of-sale terminal.

On the enterprise side, you have [unintelligible] the ability to enable corporations to sell to consumers text messages or iPhone applications. Again we think that ecommerce has been phenomenal around the world but for most of the world that does not have access to the internet, their mobile phone becomes their PC. And then expansions into the ability to collect for payments, so this is more where you are actually pulling the payment and also donations. Our view on donations, it should be free to the charities, completely free. We are talking about no 35 cents for the SMS, no 3.5 percent and also that it shouldn't take ninety days, but instead it should be a matter of if not one to two days before a charity gets the cash. And it should not be limited to \$10 per transaction which is what you are able to do on the mobile, on the bill.

Today, our current footprint, we are live with Carson Market United States, Mexico, Australia, India, Kosovo, Romania. A lot of people ask me Kosovo, what in the world? And the reality for us is that we have a series of metrics that we look at in terms of what countries make sense, but one of the key ones is where we can have a great partnership with the Central Bank/Minister of Finance. Why? Because all of a sudden we don't have to waste cycles trying to sort our regulation on a product that we learned 10 years ago when we were launching prepaid and you know, really getting into things, Reg E, Reg C, the agent networks, monitors and licenses that are so much better even with the best of intentions when you are able to get the regulator to jump in front at the same pace that you have instead of playing catch up or on a very paternalistic yet uninformed way, create barriers that end up breaking things. In the case of Kosovo, we are able to have an incredible relationship where we went from soup to nuts in six months.

This is our customer; we have already talked about it. Throughout the day, asset poor, but they do have money however, cash based. To us, the focus is reducing the customer transaction, both in terms of time and money. But we also have been encouraged because we know that they are getting adaptors of technology.

Some of the key trends that we also see are playing into this discussion, not just today, is the fact that, hey, let's face it when you have six plus billion on the planet, half of them

have a mobile phone. But yet we only have one billion with a bank account. There is an incredible opportunity to get the same motivation that took people to have a phone and to see other opportunities in a phone to have them come into financial services mainstream. Yet, we are never going to be able to build branches fast enough with a cost structure that makes sense, and yet we can leverage retailers. We have seen retail banking go from building branches, back in the '70s and '80s, to saying, "Hey, we are going to build them inside a Wal-Mart," to the, "Hey, now we are not going to hang a card inside a J hook [spelled phonetically]." We think the next progression is that a mom and pop store in the middle of the Chapa Sierra is going to be able to do that, not just a Wal-Mart in the United States.

Customer demographics, we are seeing a big change from the rural to the urban settings, and we think that, at the same time that the population is getting much younger, so we need to figure out we make relative content. And then at the same time, as we start looking at the exponential growth of mobile applications, it's a no brainer. It's not about whether when, it is happening now. It's just who and how.

So again, I comment, you can how [unintelligible] goes with the movement into the urban settings. That also calls for movement of capital from the wealthy countries to the less wealthy one, from urban settings to rural settings. You can see the access to bank accounts. This is one of the things that when you compare the lack of convergence in terms of account openings to what is happening in the mobile setting, when you are actually having every single country catching up, and we can see ourselves quickly getting into a 70, 80 percent mobile phone penetration in any country. We have a lot of opportunities.

Today, our focus when we talk about underserved, we are not talking about bottom of the pyramid, we are talking about people who have enough money to buy a phone, have enough money to pay for the airtime, and they are just being left out of financial services. We see the entry services as starting with mobile pop up, money transfers, utility bill payments, but at the same time giving them other functionality in the features of a bank account, backed by a financial institution leveraging the mobile phone. The different players that we see that can play a significant role, being banks, mobile operators, social networks and retailers. Every single one of them has a very specific benefit, and they have strengths that augment this. It is not that one party has all the solutions. And we also see us going from payments to a myriad of things. We are not going to make this system work if we just are thinking on a transaction or a piece of plastic. It has to go beyond that. It has to -- we have to include all the benefits of a financial system, including credit, access to insurance, access to asset building products and ultimately giving the consumer full participation.

Quite pictures, customers in Mexico, [unintelligible] in Mexico, soccer stadiums, great ways to open accounts, at a retail location, Eastern Europe, advertising, day and night, grass roots movements, this is in Kosovo, again at a telco store, promotions, "Hey, win a trip to Istanbul." If you are living in Kosovo, that's a big promotion for you. Promos in India, the United States, Australia. "Hey, you are a cab driver and you want to get paid

and get your money instantly into a debit card you can use.” Brazil, Ecuador, Mexico, painters, “Hey, get paid directly onto a card, being able to accept credit cards, debit cards on your phone.” Dominican Republic coming up and that is it. Been busy.

[laughter]

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