

**Meeting Between Federal Reserve Staff
and Representatives of PayPal
April 12, 2011**

Participants: John Muller, Alison Nicoll, and Becky Relic (PayPal); and Doyle Bartlett (Eris Group)

Dana Miller, Samantha Pelosi, Mandie Aubrey, Vivian Wong, and Ky Tran-Trong, Greg Evans (Federal Reserve Board)

Summary: Staff from the Federal Reserve Board met with representatives of PayPal to discuss the remittance transfer provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Using prepared materials, PayPal representatives addressed the scope of the legislation, written initial disclosure of information regarding the transaction, error resolution, the posting of Internet disclosures containing information about model transfers, and the potential effective date for the final regulation.

Attached below is a copy of the presentation that PayPal provided to Federal Reserve Board staff to guide discussion during the meeting and sample transaction flows.

PayPal™

PayPal

April 12, 2011

Agenda

- PayPal Overview
 - Understanding PayPal
 - PayPal's Current Regulatory Framework
- Sending Money Internationally Through PayPal
- Remittance Transfer Provisions

Understanding PayPal

Understanding PayPal

- PayPal is an internet-based payment system that enables customers to make electronic payments online without sharing financial information.
- PayPal sits on top of traditional banking and financial institution infrastructure to facilitate online payments.
- PayPal is available in 190 markets and supports 25 currencies: U.S. Dollar, Australian Dollar, Canadian Dollar, Hong Kong Dollar, Singapore Dollar, Taiwan New Dollar, New Zealand Dollar, Euro, Swiss Franc, Czech Koruna, Swedish Krona, Danish Krone, Norwegian Krone, Hungarian Forint, Mexican Peso, Philippine Peso, Malaysian Ringgit, Chinese RMB, Israeli New Shekel, Pounds Sterling, Brazilian Real, Polish Zloty, Turkish Lire, Thai Baht and Japanese Yen.
- Customers receive electronic payments to their PayPal account and can either spend/use those funds online or withdraw them to their bank account.
- Two general categories of transactions:
 - Purchase Payments (purchase of goods and services).
 - Personal Payments (not tied to purchase of goods and services).

Understanding PayPal

Purchase Payments

- PayPal enables global e-commerce for buyers in 190 markets.



- PayPal offers a variety of merchant services (invoice, express checkout) to help merchants enhance their ability to sell online.
- 84% of the payments of users in the United States sent abroad are purchase payments.

Personal Payments

- Users are able to send/receive personal payments that are not related to the purchase/sale of goods and services to 104 countries.
- 5.4% of the payments of users in the United States sent abroad are personal payments.



PAYMENT SENT



For each payment, no actual funds are moved between users.

Amounts shown through real-time electronic debits/credits in the *virtual wallets*.

Average Transaction: \$63.00

Sellers choose withdrawal method

PayPal Bank Account



PayPal Bank Account

If necessary, settlement of funds occurs between two PayPal bank accounts. No actual funds movement may be necessary for every transaction.*

Buyers choose funding method

DECIDE HOW TO PAY



BANK






DECIDE HOW TO USE THE FUNDS



BANK

Use funds to make a purchase or payment or withdraw to a bank account



*Thousands of customer transactions are aggregated (daily) with transactions being netted against each other (accounting entries) based on PayPal entity and currency. Settlement between PayPal entities occurs 2 or 3 times a week.

PayPal's Current Regulatory Framework

Global Regulatory Framework

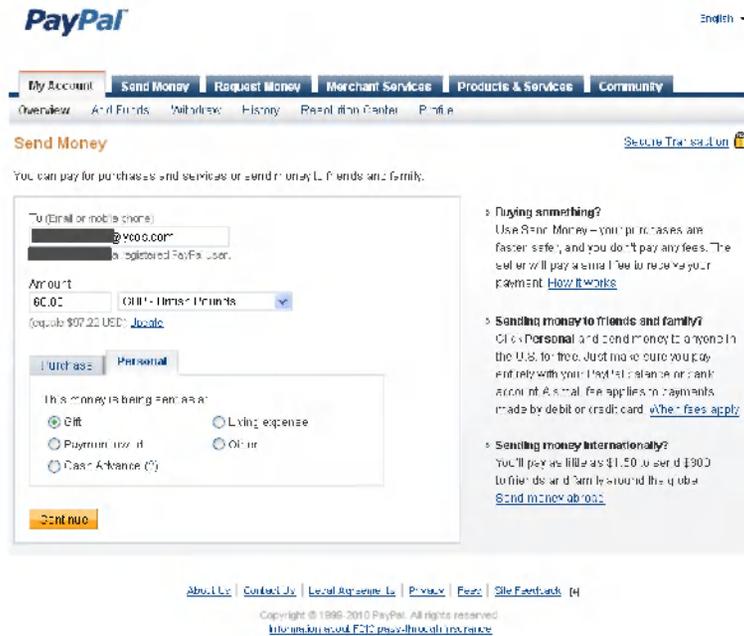
- **United States**
 - Registered with the US Treasury Department as a money services business.
 - Licensed in 42 states and 2 territories subject to audit exams
- **European Union**
 - Regulated by Luxembourg's Commission de Surveillance du Secteur Financier.
 - Licensed as a bank.
- **Australia**
 - Licensed by Australian Securities and Investments Commission as a non-cash payment facility.
 - Providing on-line payment service granted by Australian Prudential Regulatory Authority.
- **Singapore**
 - PayPal Private Ltd., a Singapore company, responsible for operating the PayPal service in all countries (except US, China, Australia and EU).
 - Designated as a stored value system through the Monetary Authority of Singapore.
- **Hong Kong**
 - Registered as a Money Remittance Business.
- **Malaysia**
 - Licensed as a Electronic Money Business



Sending Money Internationally through PayPal

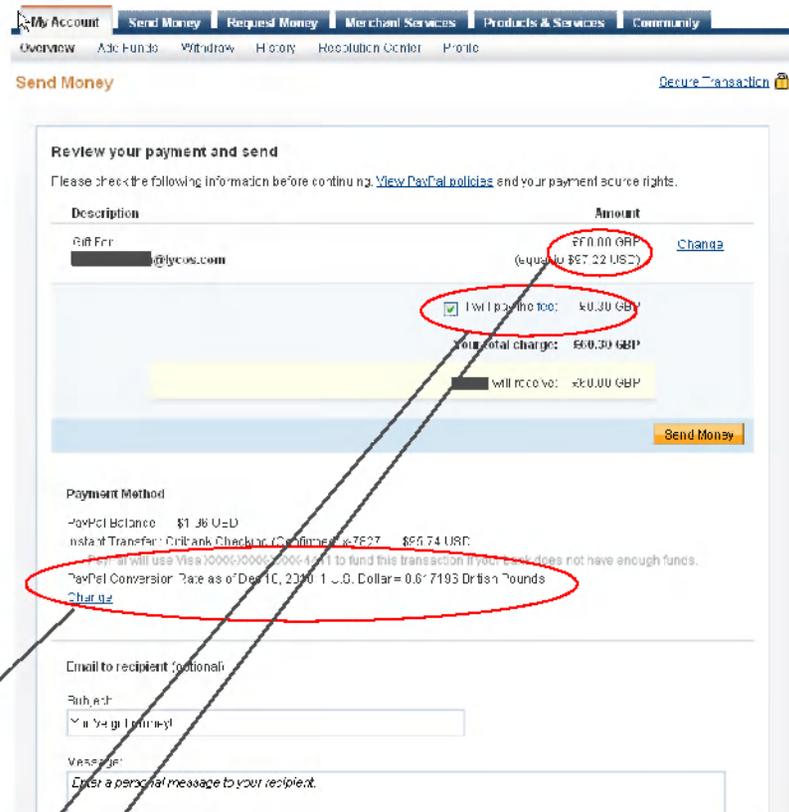
Cross border payments from US customers (PayPal Send Money Flow)

Send Money Flow – Page 1



The 2.5% currency conversion spread retained by PayPal that is disclosed as a fee in the user agreement with PayPal is included in this conversion rate.

Send Money Flow – Page 2



Includes the amount to be paid by sender and the amount to be received.

This links to a web page disclosing the fees that apply to PayPal payment, including the cross border fee that applies to this payment.

PayPal Send Money Flow

Send Money Flow – Page 3

The screenshot shows the PayPal 'Send Money' page. At the top, there's a navigation bar with 'PayPal' logo and tabs for 'My Account', 'Send Money', 'Request Money', 'Merchant Services', 'Products & Services', and 'Community'. Below the navigation, there's a sub-menu with 'Overview', 'Acc Funds', 'Withdraw', 'History', 'Resolution Center', and 'Profile'. The main heading is 'The money has been sent!'. A green checkmark icon is followed by the text: 'Also, you have sent \$60.00 GBP to [redacted]'. Below this, there's a link to 'view transaction details'. A message states: 'We sent a receipt to your email inbox. We also sent a notification to [redacted]'. Another message says: 'You don't see this email address listed in your Contact Book. You can send money faster next time by adding it.' There's a button labeled 'Add to Contact Book'. Below that, it says 'Thanks for using PayPal.' and 'What do you want to do next?'. A list of links includes: 'Go to My Account', 'Add funds from your bank', 'Send money from your account', and 'Send money to friends and family - free'. At the bottom, there are links for 'About Us', 'Contact Us', 'User Agreement', 'Privacy', 'FAQ', and 'Site Feedback'. Copyright information for 2013 PayPal is also visible.

Email Receipt

The screenshot shows an email receipt from 'service@paypal.com to me'. The subject is 'PayPal'. The body of the email contains the following information: 'Hello [redacted]', 'Your payment for £30.00 GBP to [redacted]@us.llnwd.com has been sent.', 'It may take a few minutes for this transaction to appear in the Recent Activity list on your Account Overview.', 'Currency conversion: \$57.73 USD = £30.30 GBP', 'The exchange rate for this purchase is 1 USD = 0.611195 GBP', 'Payment details: Amount: £30.00 GBP, Transaction Date: December 10, 2013, Transaction ID: 8JA067088V864974N', 'Subject: You've got money!', 'Message: For the boys' christmas, view the details of this transaction online.', 'This payment was sent using your bank account. By using your bank account to send money, you just: - Paid easily and securely, - Sent money faster than writing and mailing paper checks, - Paid instantly -- your purchase won't show up on bills at the end of the month. Thanks for using your bank account!'. The email ends with 'Sincerely, PayPal' and a note that the monthly account statement is available anytime at https://www.paypal.com/cgi-bin/webscr?cmd=_history. To correct any errors, please contact us through our Help Center at https://www.paypal.com/us/cgi-bin/webscr?cmd=_contact-us.

PayPal Send Money

Transaction Detail in PayPal account history (after logging in)

My Account | **Send Money** | Request Money | Merchant Services | Products & Services | Community

Overview | Add Funds | Withdraw | **History** | Statements | Resolution Center | Profile

Transaction Details

Payment Sent (Unique Transaction ID # 8JA067083V864974N)

Original Transaction

Date	Type	Status	Details	Amount
Dec 10, 2010	Payment For [REDACTED]	Completed	...	-£60.00 GBP

Related Transactions

Date	Type	Status	Details	Amount
Dec 10, 2010	Add Funds from a Bank Account	Completed	Details	\$95.74 USD
Dec 10, 2010	Currency Conversion	Completed	Details	-\$97.70 USD
Dec 10, 2010	Currency Conversion	Completed	Details	£60.30 GBP

Sent to: [REDACTED] (The recipient of this payment is **Non-U.S. - Verified**)
Email: [REDACTED]@lycoc.com

Amount sent: -£60.00 GBP
Fee amount: £0.30 GBP
Net amount: -£60.30 GBP (equals -\$101.34 USD)

Conversion from: -\$97.70 USD
Conversion to: £60.30 GBP
Exchange rate: 1 U.S. Dollar = 0.617195 British Pounds

Date: Dec 10, 2010
Time: 14:19:17 PST
Status: Completed

Subject: You've got money!
Note: For the bcys' christmas
Funding Type: PayPal Balance and Instant Transfer
Funding Source: \$1.96 USD - PayPal Account
 \$95.74 USD - Citiban< Checking (Confirmed) x-7827
Back Up Funding Source: Visa CardXXXXXXXXXX4441

Remittance Transfer Provisions

Scope of Remittance Transfer Provisions

- Current definition of remittance transfer from a US “consumer who requests a remittance provider to send a remittance transfer” to “any person in a foreign country” could apply to cross border payments initiated for the purchase of goods and services in addition to the more tradition “person-to-person” type of remittance.
- For purchases from foreign merchants, a remittance provider (the payment method used by the consumer) typically will not be able to provide any disclosures to a user prior to the payment occurring.
- For these transactions, fees are generally applicable to the seller/merchant (recipient), not the sender.
- If only some remittance providers provide such disclosures the purpose of informing consumers of the costs associated with a cross border payment for different payment methods would be defeated.
- Specifically address the issue of whether the remittance transfer provisions extend to commercial payments, such as online purchase from overseas merchants.
- Provision should only apply to payments known to be international.

Uniformity of Fee disclosures

- Fully support clear disclosure of all the fees that apply to a cross border remittance transaction.
- In addition to how fees must be disclosed, we encourage specific guidance on what fees and other amounts should be disclosed.
 - More transparency for the consumer and ensures accurate comparison between remittance providers.
 - Includes flat fees and transaction fees, but should other assessments or amounts such as any spread on the currency conversion that is charged by, or shared with, the remittance provider also be included?

Consideration of Internet/Electronic only Transactions

- Disclosures

- Providing initial disclosures in a “form that the sender can keep” does not adequately consider payments initiated through an online flow or on a mobile phone.
- Encourage rule making to permit, as contemplated under 919(a)(5)(C), the combination of the initial disclosures and receipt requirements into one written disclosure if the information is accurate at the time the payment is made. This is particularly relevant to instant payments.
- Encourage consideration of mobile phones and other devices when devising specific disclosure requirements for send money flows.

- Error Resolution Timeframes

- PayPal cross border payments are instant and take the same amount of time as a domestic payment.
- Longer error resolution times appear geared more to a remittance transfer that occurs at a physical location, rather than one that is electronic and instant.
- Apply current error resolution procedures under Section 908 of the EFTA and 12 CFR 205.11 to remittance transfers that are completely electronic and instant.
- Refund and cancellation procedures must take into account remittance transfers that happen immediately.

Storefront/Internet Notices

- Support clear disclosure of applicable fees and currency exchange rates to customers.
- Disclosure requirements need to contemplate multiple countries and multiple currencies as well as the most user friendly experience. PayPal already provides a tool to show currency conversion and calculate applicable fees for users who want to send money abroad.



Pull-down menu with all PayPal countries that a user can receive a payment.

Pull-down menu with all 25 PayPal currencies.

Converted amount in the then current conversion rate

Full disclosure of applicable fees

Implementation Timeframe

- Current time table for implementation of the disclosure requirements not clear.
- Any rules that are issued will inevitably impact implementation e.g., if initial disclosures and receipts are put into one written disclosure.
- Request implementation of the disclosure requirements be *after* final rules have been issued.

ONLINE CROSS BORDER PURCHASE FLOW (US Consumer purchasing from a UK merchant)

Merchant Shopping cart Page

Home | Delivery | FAQ | Customer Service | Contact Us
Call us FREE on 0800 626 249

Order Summary

Please check the order details and make any required changes. If you are happy with the order, please click 'Continue' to proceed to payment.

Order 1 of 1	Deliver To:	Message:
London Zest £18.00 Free Milk Chocolates £0.00 Delivery: Saturday 7th May 2011 £0.00 by Royal Mail 1st Class Post Total £18.99	[Redacted]	Happy (American) Mothers Day!!! Lots of love, Alscr

[Edit Order Details](#) [Change Delivery Address](#) [Edit Message Card](#)

Promotional Code

If you have a promotional code, please enter it here > [Apply Code >](#)

As a first checkout customer you will not have a registered account with us. This means you will not be able to collect and redeem posy points. If you would like to register now, we have all your details so all you need to do is enter a password for your account below:

Password:
 Confirm Password:
[Register](#)

POSY POINTS You have no Posy Points in your account. If you would like to register, you can collect Posy Points which can be redeemed at a later date for a discount on your orders.

Sub Total:	£18.00
Promotional Discounts:	£0.00
Posy Points Discounts:	£0.00
Total:	£18.99

[Pay by Credit or Debit Card >](#)
[Pay now with PayPal](#)

email: flowers@bunches.co.uk © Bunches Florapost Ltd

Merchant Choose Your Payment Method page

Call us FREE on 0800 626 249

Secure Payment Page

This payment page has been created by WorldPay for Bunches.co.uk. Please review your purchase details, then select a card or payment to proceed to the next page.

Select Language:

Bunches Florapost Ltd.
 Description: Your Bunches Order
 Amount: £18.99

Select your payment method

PayPal MasterCard Debit MasterCard Visa Credit Visa Debit Visa Electron

Amex Maestro JCB Solo

payments powered by For help with your payment visit the: [RBS WorldFay Help](#)

[Cancel](#)

PayPal Log-In (after selecting PayPal as the payment method)

Bunches Florapost

PayPal. Safer. Simpler. Smarter.



PayPal securely processes payments for Bunches Florapost. Pay with PayPal in a couple of clicks.

- Pay without revealing your debit or credit card numbers, or your bank account details.
- Speed through checkout. There's no need to re-enter your address details.
- PayPal. Safer. Simpler. Smarter.

Sign up for a PayPal account and [continue checkout](#).

Cancel and return to [Bunches Florapost](#).

Log in to PayPal

Email

Password

Forgot [email address](#) or [password](#)?

[Site Feedback](#)

PayPal. Safer. Simpler. Smarter.

For more information, see our [Privacy Policy](#), [User Agreement](#) and [Key Payment and Service Information](#).

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Payment review page: Bunches Florapost

Review your payment



If the information below is correct, click **Pay Now** to complete your payment.

[View PayPal policies](#) and your payment source rights.

Description	Amount
Your Bunches Order	£18.00
Item total:	£18.00
Total:	£18.00 GBP

Payment Method

Instant Transfer - Gilbank Checking (Confirmed) -
PayPal will use Visa XXXX XXXX XXXX 7343 to fund this transaction if your bank does not have enough funds.
If funds are added to your PayPal balance before this transaction completes, the additional balance may be used for this transaction. [Learn more](#)
PayPal Conversion Rate as of Apr 10, 2011: 1 U.S. Dollar = 0.607362 British Pounds
[Change](#)

Contact Information

Cancel and return to [Bunches Florapost](#).

When you authorize payment on the Bunches Florapost website, you also authorize and instruct PayPal to transfer to Bunches Florapost amount(s) from your PayPal account for amounts you owe Bunches Florapost as communicated to you by Bunches Florapost.

Confirmation Page

Home | Delivery | FAQ | Customer Service | Contact Us

Call us FREE on 0800 626 249

...flowers by post
BUNCHES.co.uk

Classic Value Flowers | Dunches.co.uk - Flowers by post | Laminum Collection | Easter Flowers | House Plants | Luxury Roses | Classic Camellias | Helium Ballons

Thank you for your order!

Your order has been **successfully** processed. You will find the details of your order below. Please take the time to let us know if you found ordering easy by filling in our questionnaire.

Questionnaire ▶

Your order confirmation email has been sent to anicoll.shopping@gmail.com

Your Name: [REDACTED]

Your Address: [REDACTED]

95033
United States

Posy Points
Your order today is worth **190 Posy Points**. You have **190 Posy Points** in your account which you can use to get **£0.95** off your next order.

If you've not quite finished your shopping, you could try our Belgian chocolates from Bunches little brother mokochocholates.co.uk

10% OFF just use code **"INTRO10"**

OrderID:	2941027	Deliver to:	[REDACTED]
Payment Reference:		Address:	[REDACTED]
Delivery Date:	Saturday 7th May 2011	Message:	Happy (American) Mothers' Day!!! Lots of love, Alison

Please allow 1-2 working days for delivery. We are unable to guarantee an exact date of delivery. We normally despatch two working days prior to requested date if possible.

Delivery Cost:	£0.00
Laminum Zest: 1 @ £18.99 each = £18.99	
Free Milk Chocolates: 1 @ £0.00 each = £0.00	
Discount:	£0.00
Total:	£18.99

If you wish to amend or cancel your order please email flowers@bunches.co.uk or call 0800 626249 quoting your order number above.

Where do you want to go now?

[Place another order](#) [My Account](#) [Return to Homepage](#)

email: flowers@bunches.co.uk © Bunches Florapost Ltd

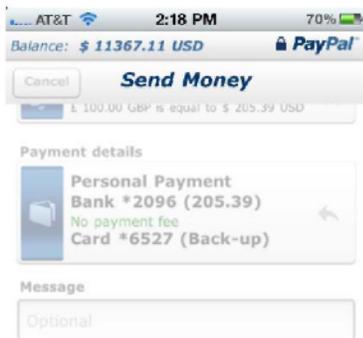
Payment logos: PayPal, MasterCard, VISA, AMEX, Maestro, VISA Electron, JCB, MILES

MOBILE CROSS BORDER PERSONAL PAYMENT (P2P) FLOW

AT&T 2:17 PM 70%
Balance: \$ 11367.11 USD PayPal
Send Money
Send to: email or mobile num...
Amount GBP



Start sending money to anyone with an email address or mobile number. You can also send money by using Bump – just shake your phone or select Bump from the drop down menu.



Sending money...

Please wait while we set up a secure connection and complete the transaction.



PayPal[™]

Done

You just sent £ 100.00 GBP to [REDACTED]
[REDACTED]@paypal.com