

## Egyptian Retail Payments Service Providers

### Introduction

The retail payments market in Egypt is in its early stages of development. A survey was conducted to review of the current providers of retail payment services. The goal was to be able to plot the services being provided by existing payments providers so as to determine what possible gaps in terms of offerings may exist in the retail payments sector in Egypt. The following discussion plots the current and planned capabilities of each of the companies in the market. This high level chart is provided to help understand where they fit with a brief description of each to more fully understand their market positioning.

### Major Payment Service Providers in Egypt

Payment Types	Egyptian Banking Corporation (EBC) www.egyptianbanks.com	GiroNil www.gironil.com.eg	eFinance www.efinance.com.eg	NPC www.npcegypt.com	MSCC www.msc.com.eg	Central Bank of Egypt www.cbe.org.eg
			Planned Capabilities	Primary Business is Outsourcing of ATM Services	Primary Business is Outsourcing of ATM Services	
High Value Payments						C & S
Cheques						C & S
ATM's	C		P	P	P	
Electronic Funds Transfer/Point of Sale (EFT/POS)	C for 123 Cards		C	P	P	S for EBC. Visa and MasterCard settle through NBE and BM
Credit and Charge Cards	P			P	P	C & S through Visa and MasterCard
Debit and ATM Cards	C		C	P	P	
Smart Cards					P	
Direct Debit	Seed Products (C)	C	C			
Direct Credit	Seed Products (C)	C	C			
Debit Transfers	Seed Products (C)	C	C			
Credit Transfers	Seed Products (C)	C	C			
Remittances	C	C				
Bill Payment	C	C				

- C – Offers clearing for participants
- S – Offers settlement for participants
- P – Offers Third Party processing of transactions on behalf of Banks
- Seed Products – Refers to Stage of Development

### Egyptian Banking Corporation

[www.egyptianbanks.com](http://www.egyptianbanks.com)

EBC was established in 1995 by the leading Egyptian banks under the umbrella of the Federation of Egyptian Banks and with the approval of the Central Bank of Egypt. The target was providing the infrastructure and services required for electronic payments services and products. The focus is:

- Providing banks with secure, convenient, efficient and cost effective electronic payments tools appropriate to the needs of the market.
- Allowing interoperability with global payments networks.
- Building payments infrastructure with an eye on integration of payments flows and settlement processes which maximizes investment utility thus keeping funds flowing through the banking sector and minimizing funds in transit.

The first figure below illustrates the focus on payments capabilities related to support of payments in consumer banking. The primary focus has been provision of switch capabilities for ATM's and Point of Sale (POS) units. In addition, EBC provides linkage with the major card providers (MasterCard, Diners Club, etc.).

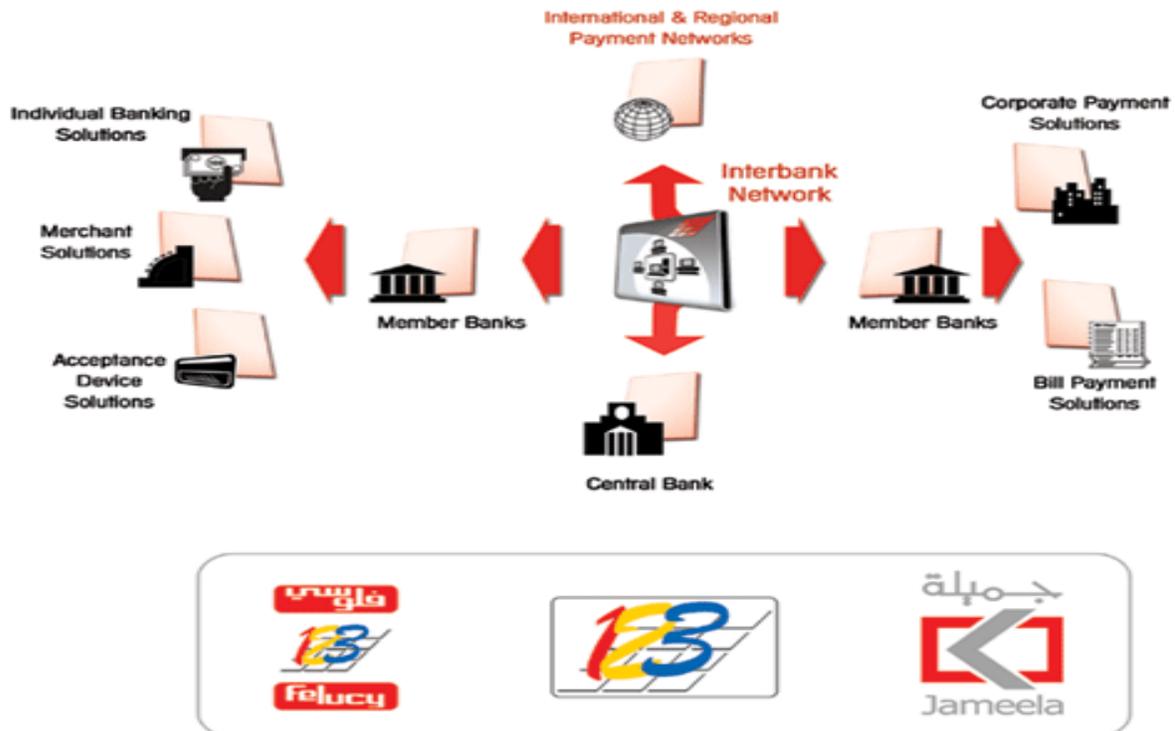


Figure 1 EBC Retail and Corporate Solutions

The second area of focus has been on support of Ministry of Finance in key areas like customs, taxes and other related payments such as salaries and pensions. EBC has

developed a secure infrastructure that allows all government payments, both incoming and outgoing to be processed electronically through commercial banks and settled through the central bank. The infrastructure allows all payments to be processed electronically through the banking sector, with Government of Egypt (GOE) distribution channels accepting electronically either/both direct debit tools and credit transfer services. The illustration below shows the current work being performed by the EBC for the Ministry of Finance.

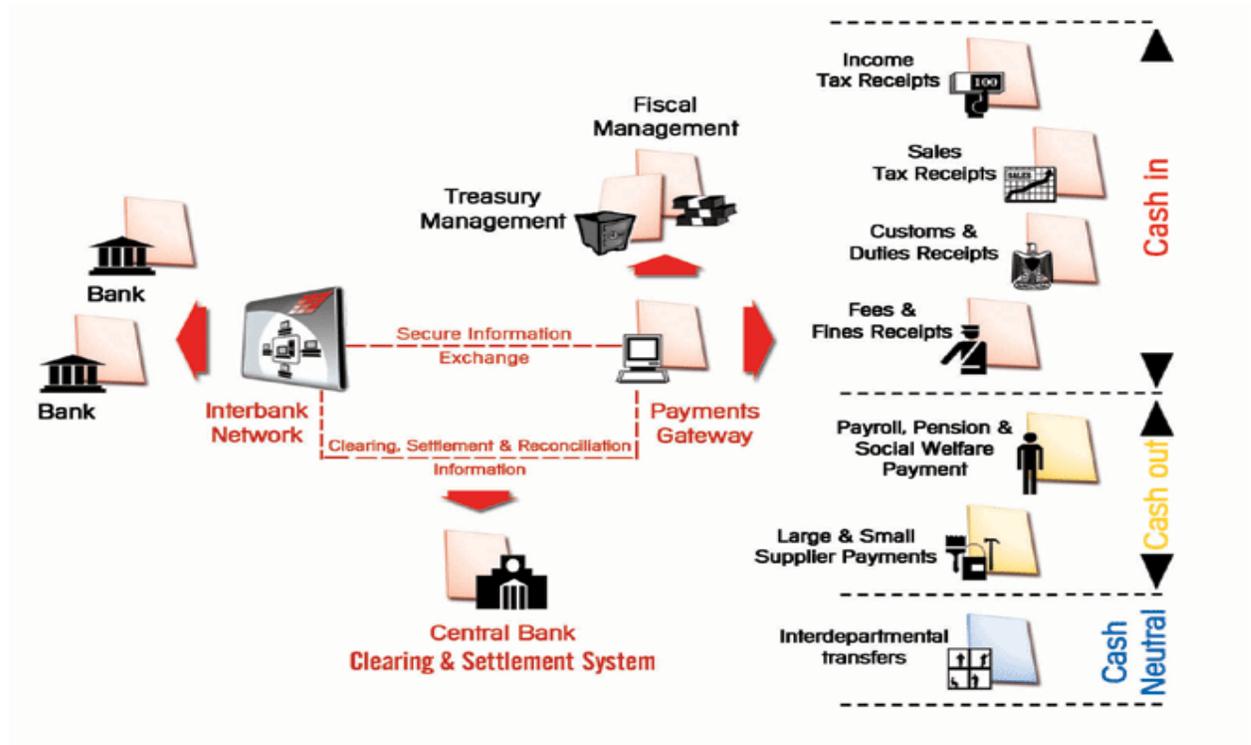


Figure 2 EBC Government Solutions

EBC is clearly the largest and most comprehensive supplier of payments services in Egypt at this time. They will continue to be a major player in payments as the retail banking market develops in Egypt.

***GiroNil (Current status)***

[www.gironil.com.eg](http://www.gironil.com.eg)

GiroNil, is an Egyptian joint venture founded in 2005 by Banque MISR, Egypt Post, Commercial International Bank (CIB), and InClusion Group from The Netherlands. The company operates and manages an interbank infrastructure for funds transfer, bill payments and collection. GiroNil's has introduced the paper based Giro concept to Egypt and the Middle East as the secure nucleus for efficient payment and collection clearing. It's service portfolio includes simple payment processing of a bill for the individual to the ability for mass processing of payments e.g.: salary and pensions, and the distribution of millions of bills, e.g.: utilities, telecom & newspaper subscriptions, tuition fees, installments, etc.

GiroNil's objective is to create significant value for the Egyptian economy as a whole and the financial sector in particular. Multi-transactions like salaries and pensions are handled in a fully automated process; bills are paid simply by signing AcceptGiro, money transfers are efficiently processed via TransGiro and Eurogiro. The costs for bill processing and cash management will dramatically decrease creating and retaining float, as salaries, pensions and other kinds of payments are automatically paid into a GiroAccount.

GiroNil offers a wide range of services through its diverse products:

- GiroAccount: Low cost bank account issued by the Giro member banks
- BusinessGiro: Multi-transactions processing product including salary and pension payments into several GiroAccounts
- AcceptGiro: Bill payments product, by simply signing the certified AcceptGiro form
- TransGiro: Inter- Bank money transfer between GiroAccounts (B2B)
- CashGiro: Cash withdrawals and deposits from and to GiroAccounts
- Eurogiro: International remittances via the worldwide Eurogiro network

GiroNil is dependent on its ability to adopt its technology and experience to the needs and realities of the Egyptian retail market. Their products and capabilities offer alternative payment mechanisms to the growing retail market in Egypt.

**eFinance**

[www.efinance.com.eg](http://www.efinance.com.eg)

eFinance is the most recent entrant to the retail payments market in Egypt. The eFinance organization was formed to provide outsourcing services to the accounting and financial management functions at the Ministry of Finance associated with payments (to suppliers, employees, pensioners, etc.) and collections (of customs duties, taxes, etc.). The shareholders of eFinance are:

- National Investment Bank (Government Investment Bank) – 40%
- Raya Holdings (Leading Technology Company in Egypt) – 30%
- National Bank of Egypt (Largest Bank in Egypt, Government Owned) – 10%
- Bank MISR (Second Largest Bank in Egypt, Government Owned) – 10%
- Egyptian Banking Corporation (EBC) – 10%

They will have responsibility for the financial management systems that support the Ministry of Finance and are intended to play a major role in collection of payments of customs duties, taxes and insurance premiums. Payment of government salaries and pensions as well as suppliers is also a planned for eFinance. This mandate is exceptionally broad as it also includes the provision of payment services to banks including the outsourcing of ATM’s and POS. The chart below illustrates the platform they have proposed to support this extensive range of capabilities. It is to be developed to support the Ministry of Finance.

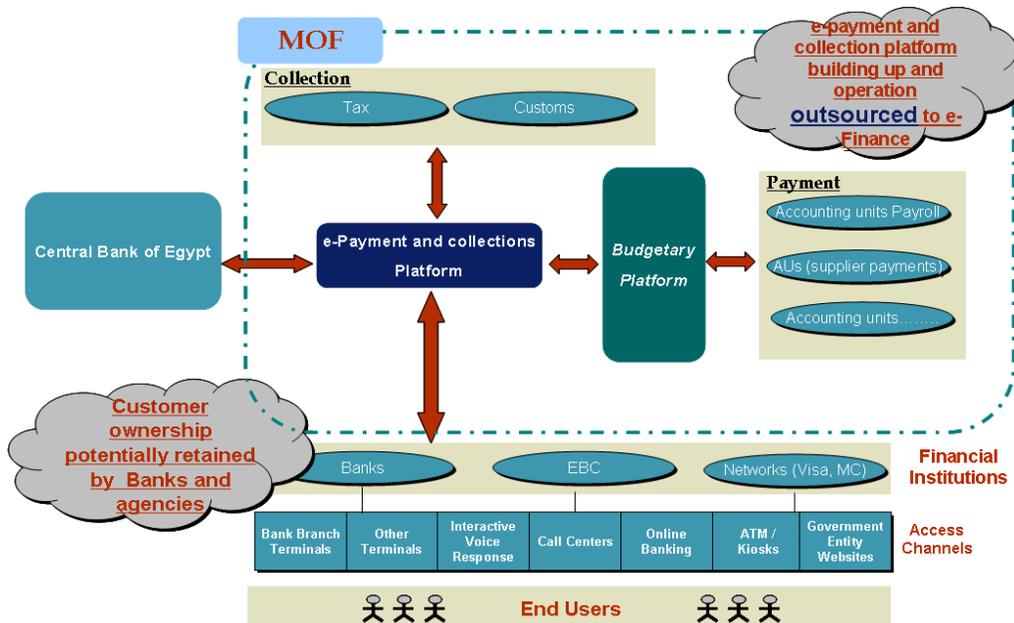


Figure 3 – Planned eFinance Platform

eFinance is still in the planning stage and as such it is difficult to fully assess their influence on Egyptian payments as an organization. Their development should be

monitored to see what is actually implemented and becomes operational. Their growth will be linked to their successes in the MoF and the development of the retail banking market in Egypt.

**Egyptian Company for Electronic Systems Development (NPC)**

[www.npcegypt.com](http://www.npcegypt.com)

Founded in 2001, NPC is Egypt's first electronic funds transfer (EFT) company offering integrated third-party solutions to the financial sector. They were a joint venture established under the Egyptian investment law between National Telecommunication and Euronet Worldwide. They were partnered with these organizations to provide integrated and innovative payments solutions in Egypt. More recently they have been acquired by Network International of Dubai. Their goal is to redefine and improve the way electronic transactions are processed in Egypt.

NPC provides the following services:

- Outsourcing of ATM's
- POS driving for Cash Advance
- Card Issuance for Visa and MasterCard (300,000 Cards)

A wide area transaction communication network is now in place that supports over 500 ATM's and 8000 POS devices. This network spreads across Egypt, reaching even the remotest cities with a high volume of transactions. This is a significant as an access point for people living outside Cairo. This is important in the transmission and payment of remittances which is important in Egypt.

NPC has been certified by Visa and MasterCard for provision of card processing services in the Egyptian Market. Its primary market objectives are as follows:

- Develop and operate an international standard, high-quality independent switch to serve financial institutions in Egypt.
- Provide state-of-the-art EFT-related services such as debit/credit card issuing.
- Make wireless and internet banking products more accessible to Egyptian financial institutions.
- Assist banks in meeting the needs of customers for world-class convenience and greater access to bank accounts through efficient EFT processing.
- Provide professional ATM Outsourcing Management and network gateways to financial institutions and retailers.

NPC Client List includes:

#	Bank	Contracted Activity
1	Arab African International Bank AAIB, Egypt	POS driving for merchant acquiring ATM full outsourcing
2	Bank of Alexandria BOA, Egypt	ATM full outsourcing Visa Credit Card issuance Visa Debit Card issuance

		POS driving for cash advance Visa Pre-paid Card issuance
3	Credit Agricole, Egypt	ATM full outsourcing Visa Debit card issuance Visa Pre-Paid issuance
4	NSGB (Mibank), Egypt	Credit Card issuance: Visa Debit Card issuance Visa Pre-paid Card issuance POS driving for cash advance
5	National Bank of Development NBD, Egypt	ATM full outsourcing.
6	Principle Bank for Development and Agriculture PBDAC	ATM full outsourcing  Visa Salary Card issuance Visa Pre-Paid issuance
7	Sues Canal Bank	ATM full outsourcing. Master Card Credit card issuance
8	Barclays Bank- Egypt	ATM full outsourcing Visa Debit card issuance
9	Egyptian Gulf Bank EGB	Master Card Credit Card issuance  Visa Credit Card issuance: Visa gateway for ATM acquiring POS driving for cash advance
10	Misr Iran Development Bank	ATM full Driving (under Implementation)

***Mediterranean Smart Cards Company (MSCC)***

[www.mscc.com.eg](http://www.mscc.com.eg)

Mediterranean Smart Cards Company (MSCC) is a smart-card-technology service provider in Central and Eastern Europe, the Middle East and Africa established in 2001. The company offers a complete outsourcing solution to financial institutions. MSCC is owned 33% by Visa who is the largest shareholder and in addition, is co-owned by a group of major banks (Banque Misr, CIT, Ahly United Bank, Societe Arabe Internationale de Banque (SAIB), Faisal Islamic Bank, Arab African International Bank, Arab International Bank and Suez Canal Bank). The company currently serves more than 40 domestic and international banks within Egypt and international locations such as Algeria, Angola, Benin, Cape Verde, Ghana, Ivory Coast, Senegal, Libya, Madagascar, Mali, Nigeria, Rwanda, Togo and others.

MSCC's services include initial support services, support for card procurement and personalization, issuer processing, ATM processing, POS (point of sale) processing, inter-bank processing with a help desk and call center support. MSCC supports the process of capturing and authorizing smart payments at a point-of-sale or ATM through to the clearing and settling of these transactions. MSCC supports multiple schemes across stored-value, pre-paid, debit and credit products. Core services include processing support for card issuing and ATM and POS (Point Of Sale) acquiring. MSCC also provides complete private label or national card schemes.

In addition to the card related business, MSCC provides solutions for Internet Banking, Mobile Banking, Installment Payments, VPay, Fraud Analyzer, Loyalty and Rewards, Visa Money Transfer and Verify by Visa. MSCC services include card issuance, card procurement and personalization, ATM and POS acquiring, Chargeback for dispute resolution and Inter-Bank capabilities where a client has retained MSCC as both its issuer processor and its acquirer processor, all on-us transactions are then cleared and settled internally, within MSCC's systems.

**Central Bank of Egypt**

[www.cbe.org.eg](http://www.cbe.org.eg)

The Central Bank of Egypt operates two payment systems. One is the cheque processing system referred to as the Automated Clearing House (ACH) and the other is a high value system which runs on the SWIFT FIN-copy system for domestic payments.

The ACH operation, currently run by the Central Bank of Egypt officially began operation in June of 2002. Its development project was completed in March 2006 with a view to expediting the settlement of transactions. This resulted in a shortening of the settlement time from D+5 to D+1 and in outlying areas to D+2. In 2005-2006, the total value of cheques processed was 288.7 LE bn (US\$52.5bn). The average cheque value was 30,365 LE or US\$5,521. The system processes approximately 1.3bn LE or US\$238mn per day. A chart is provided below that gives more detailed information regarding historical volumes and values.

**CBE Clearing Houses Activity\***

During FYs	Number of Cheques (000s)	Value of Cheques (LE mn)	Change in	
			Number	Value
2002/2003	10025	244581	26.6	(9.6)
2003/2004	9591	248224	(4.3)	1.5
2004/2005	9322	262425	(2.8)	5.7
2005/2006	9508	288713	2.0	10.0

\* As of 1/1/2006, the manual clearing houses in Alexandria and Port Said were abolished and all their activities were transferred to the Automated Clearing House in Cairo.

Figure 4 - Cheque Processing Volumes and Values 2002-2006  
Source: Central Bank of Egypt Annual Report 2005-2006

As regards the high value system run by the central bank, steps are currently being taken, in collaboration with the Society for Worldwide Interbank Financial Telecommunications (SWIFT), to replace the deferred settlement (T structure) with a Real Time Gross Settlement (RTGS) system (Y structure) for the execution of settlements using the SWIFT Fin-Copy network for message routing. This will be a significant step forward for the processing of high value transactions in line with international standards. The implementation is currently underway with plans for going live in the third quarter of 2008. The volumes of the existing system are as follows:

**SWIFT Local Services in Local Currency**

During FYs	Number of Executed Transfers (unit)	Value of Executed Transfers (LE mn)	Change during the Period	
			Number	Value
2002/2003	216934	998205	(159724)	1406
2003/2004	258501	970617	41567	(27588)
2004/2005	326341	1246023	67840	275406
2005/2006	404776	1658794	78435	412771

Figure 5 – High Value System Volumes and Values 2002-2006  
Source: Central Bank of Egypt Annual Report 2005-2006

**Conclusions**

In reviewing the payment systems either in existence or planned for the near future, it appears that the basic infrastructure exists that can act as the foundation for retail payments in Egypt. This is not to say that everything needed for a robust retail payments sector is in place, but does suggest that there is no need for the CBE to take on a role of operator of a retail payments system. In fact, there is a strong need for the CBE to take on the role of influencer and motivator.

The challenge at this point is to effectively engage the retail payments stakeholders (banks, retail payment providers, card organizations, etc.) to work together to collectively move the retail market forward, in particular, through the use of electronic retail payment mechanisms. The goal should be to establish a common infrastructure and set of guidelines that allows all market participants input to policy formulation and planning for the long term. Interoperability must be considered to be of paramount importance in setting this long term strategy. Players cannot be seen to be supporting proprietary platforms that limit the involvement of other players. This exists to some degree in Egypt and should not be tolerated.

Egypt is well positioned to move forward in the retail market and the CBE has a key role to play in facilitating change. It will require a commitment from the most senior levels of the CBE, but with their support, the bank can facilitate dialog that will become the basis for long term planning. This will help to ensure that policies are consistent with and based upon market needs.