

VISA PREPAID: PAYROLL CARD CASE STUDY

Streamlining Salary Payments in the United Arab Emirates

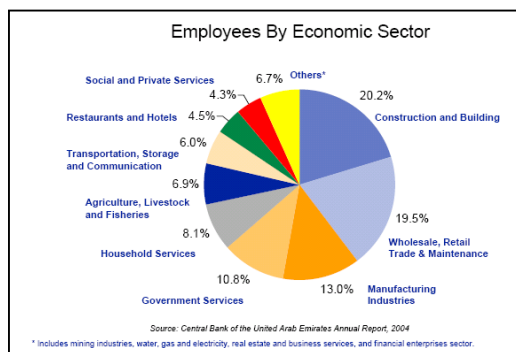
Today, businesses and governments worldwide distribute trillions of dollars in payments to employees. Millions of these employees are in the low-income segment and are paid in cash or by check. Visa estimates that on a global basis, over US\$2 trillion in employee payments can potentially be disbursed electronically using prepaid cards. ABN AMRO introduced the Visa Salary Card to extend electronic payments to a large portion of the workforce in the United Arab Emirates (UAE), many of whom do not have access to traditional financial services. The Dutch-based bank is offering the Visa Salary Card to large and medium-sized companies as part of its existing corporate payroll program, which includes deposit accounts, credit cards and other financial services for a company’s employees. The Visa Salary Card provides companies with a secure, simple and economical solution for all their payroll needs, and offers a convenient and affordable banking solution to employees in the low-income segment.



Overview of the UAE¹

The UAE is a federation of seven states (known as “emirates”) bordering the Gulf of Oman and the Persian Gulf, between Oman and Saudi Arabia. It is a relatively sparsely populated country, with 4 million people in a country totaling 82,880 kilometers. The majority of the population, roughly 3.23 million, consists of non-nationals. Most of the non-nationals come from South Asia, including India, Pakistan, the Philippines and Sri Lanka. Since oil was discovered in the region 50 years ago, the economy has been transformed and per capita Gross Domestic Product (GDP) is on par with some developed economies. However, there is a significant disparity in the standard of living between the wealthy and most of the non-nationals who work in low-income jobs. Roughly 54 percent of the total population is considered “unbanked” as they do not have a traditional banking relationship.

While the mining sector remains the largest contributor to the UAE’s GDP, non-oil sectors contributed nearly 72 percent of the total GDP (AED 323.6 billion) (AED = Dirham) in 2004. The total number of workers in the UAE reached nearly 2.5 million in 2004. The construction and building sector was the largest employer with 20.2 percent of the total workforce. The wholesale, retail trade and maintenance services sector employed 19.5 percent, while manufacturing industries had 13 percent and Government services had 10.8 percent of the total workforce.



¹ Sources: (i) Wikipedia, 2005 estimates (ii) Central Bank of the United Arab Emirates Annual Report, 2004 (iii) Global Insights, August 2004.

Banking in the UAE

The UAE has an extremely competitive banking environment with 46 banks (both domestic and foreign) competing for consumers who are deemed “bankable”. Retail banking remains the most profitable form of financial services and payment cards (credit and debit) tend to drive the consumer banking business in the country. Visa is the largest payments brand in the country with over 2.5 million Visa cards and US\$3 billion in sales volume. Personal Consumption Expenditure (PCE) in the country is over US\$45 billion and card payments account for more than 10 percent of PCE.

The Challenge with Salary Payments

Disbursement of wages and salaries in the UAE is complicated by the large number of migrant workers, the majority of whom do not have a traditional banking relationship. It is estimated that between 30 percent and 50 percent of the employees at most large and medium-sized companies are unbanked. Eligibility requirements to open a deposit account vary by bank. Most banks however, require customers to have a minimum monthly salary of AED 2,000 to AED 3,000 to qualify for a basic deposit account. Further, banks require customers to maintain a minimum monthly balance in their accounts. This disqualifies a large number of employees in the UAE who earn between AED 800 to AED 1,500 a month. Also, most low-income workers are migrants who remit 80 percent to 90 percent of their salaries home.

“A large number of employees in the UAE are in the low-income segment and are paid by cash or check,” said Karim Beg, Head of Marketing, Consumer Banking at ABN AMRO. “This is expensive and difficult for the employer to process and inconvenient for the employee to manage.”

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Companies incur significant costs to:

- Handle cash and checks
- Transport, store and disburse cash
- Print, distribute and reconcile checks
- Replace lost or stolen checks and stop payments
- Track and manage unclaimed checks
- Absorb losses as a result of fraudulent check cashing or misappropriation of funds

In addition, the management of different processes for salary disbursement to banked and unbanked employees results in accounting errors and issues with back office reconciliation. Employees with bank accounts typically receive their salaries via direct deposit or salary transfer to their deposit account.

Delivering the Right Solution

ABN AMRO has been a leader in marketing banking products and services to its corporate customers in the UAE. In 2003, ABN AMRO developed a payroll deposit program in conjunction with a financial services package for corporate employees. The Perks Plus program offers different payroll accounts — Perks Plus Silver and Perks Plus Gold — based on an employee’s monthly salary. The minimum monthly salary required to qualify for a Perks Plus account is AED 2,000. Each Perks Plus account is linked to a Visa Electron debit card for easy and convenient access to funds at merchant locations and Automated Teller Machines (ATMs).

Based on feedback from its corporate customers on the Perks Plus program, ABN AMRO responded to the need for a streamlined payroll disbursement process. In July 2005, ABN AMRO launched the Visa Salary Card — a payroll solution for the large number of workers in the UAE earning less than AED 2,000 per month. The Visa Salary Card is an unembossed Visa Electron-branded prepaid card that is not linked to a deposit account. The new Salary Card complements ABN AMRO’s Perks Plus payroll account program, enabling companies to streamline and automate salary payments to all their employees — both banked and unbanked.



“A number of companies were dissatisfied with their existing payroll arrangements since most banks were only willing to open salary accounts for employees in the higher income segment,” said Sachin Bountra, Vice President of Cards at ABN AMRO.” This left companies with a fragmented payroll operation. The new Salary Card from ABN AMRO will provide companies with a one-stop shop for all of their payroll needs.”

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Account Category	Salary Criteria
Salary Card	Below AED 2,000
Perks Plus Silver	AED 2,000-5,999
Perks Plus Gold	AED 6,000 and above

The Visa Salary Card is most suitable for those companies that pay salaries to their employees in cash or by check. Employers can save the trouble of handling and distributing cash and checks, and the additional accounting required for cash or check transactions.

Employees benefit from receiving their salaries directly on secure and convenient cards. The Visa Salary Card offers a host of benefits and features to low-income employees. Cardholders can use the Salary Card to pay for purchases at over 21,000 merchant locations in the UAE and millions of establishments worldwide that accept Visa, or to withdraw cash at more than 1,100 ATMs in the UAE and over a million Visa Plus ATMs worldwide. Cardholders are also offered a free overdraft facility of AED 99, which enables them to withdraw their full salaries through ATMs (Note: In the UAE, cardholders can only withdraw funds from an ATM in multiples of 100s).

“The Salary Card offers an affordable banking solution to employees in the low-income segment who in the past could not afford to maintain a banking relationship,” said Karim Beg of ABN AMRO.

Facilitating Program Implementation

ABN AMRO has made it easy for companies to introduce the Visa Salary Card program. A standard program can be implemented in 60 days. Once a company account is opened, the ABN AMRO implementation team will work closely with the company to develop and execute a rollout plan, assuring key delivery dates are achieved for a quick and seamless implementation. Weekly meetings will be held with the company to ensure that the program reflects their organizational needs. A training schedule will be developed to conduct training sessions for the company’s Human Resources (HR) managers. ABN AMRO has produced high-quality marketing collateral (including brochures, posters and statement mailers), enrollment materials, and manager training tools for companies to generate awareness and encourage enrollment.

How the Salary Card Works

The Visa Salary Card operates as follows:

- **Enrollment** – Employees are required to complete a short one-page application form to apply for the Salary Card. Personal information such as Name, Date of Birth, Address, Phone Number, Passport Number, Monthly Salary, Employee ID, Employer Name and Address will be captured on the form.
- **Card Issuance** – All Salary Card applications will be forwarded to ABN AMRO’s Client Services department for processing. Client Services will capture data from these applications in an electronic format and send these files to the bank’s third-party processor on a daily basis. The processor will automatically upload these files into the card management system. A new card file will be generated, and personalized cards for enrolled employees will be issued. The secure four-digit personal identification number (PIN) for ATM use will be mailed separately from the card to the employee.

Sachin Bountra
Vice President, Cards
ABN Amro



"ABN AMRO offers one of the most comprehensive payroll solutions in the market today, addressing the needs of all types of companies and employees in all income segments. We are working on exciting product enhancements to bring additional benefits to our customers and their employees in the future."

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- Activation – Once an employee receives their Visa Salary Card by mail, the employee will need to call ABN AMRO's customer service center to activate the card. The activation sticker on the card will have the card activation instructions, including the phone number to call in the following languages—English, Urdu and Hindi.
- Crediting of Salaries – Each month, the companies will provide two separate salary upload files for employees. One file will contain the salary details of all the customers who have a Perks Plus account while the other file will contain details of all employees who have Salary Cards. Within 24 hours of receiving the files, ABN AMRO's processor will credit the Salary Cards with the amounts specified in the file and debit the company's account for the total salary credits. Employees are not able to make deposits to their Salary Cards. The only credits allowed are the monthly salary credits initiated by the company. If there is no salary credit on the card for 12 months, the card will be blocked and finally cancelled.
- Access to Funds – Cardholders can use their card to pay for purchases at millions of merchants that accept Visa or to withdraw cash at Visa Plus ATMs worldwide. Cardholders will be able to call the bank's customer service center 24 hours a day, 7 days a week for balance inquiries, transaction history, card activation, new PIN requests, replacement of lost or stolen cards, salary credit or card transaction disputes, address and telephone changes, and card cancellation or closure. Cardholders can also send their questions to ABN AMRO via email. Monthly statements for the Salary Card will be mailed to the cardholders.
- Card Renewal – All Salary Cards are issued for three years. Upon expiration, active cards will automatically get renewed and new cards will be issued to the employees.
- Fees – There is no enrollment or card fee. Purchase transactions are also free. Within the UAE, all ATM transactions at ABN AMRO ATMs are free. A nominal fee of AED 2 per transaction will be charged at non-ABN AMRO ATMs after two free transactions per month. Outside the UAE, a two percent transaction fee is charged per ATM withdrawal. Card replacement and duplicate statement requests will be processed for AED 100.
- Reports – Several reports are available to the company to monitor and track the Salary Card program.

A Win for Everyone

The ABN AMRO Visa Salary Card delivers significant benefits to companies and employees.

Companies can now:

- Automate their salary disbursement with a "one-stop" payroll solution.
- Provide a cost-effective payment solution with instant and convenient access to funds through electronic payment to all employees, including the unbanked.
- Significantly reduce the cost and inconvenience of disbursing salaries by cash or check to employees.
- Streamline salary disbursements to all employees resulting in fewer accounting errors and issues with back office reconciliation.
- Enjoy additional efficiencies through electronic disbursement of other payments, such as expense reimbursement, benefits, bonuses and severance pay on the Visa Salary Card.
- Monitor and track salary disbursements through reports on card issuance and funding.
- Expand the program to include other functions on the card, such as phone card capability, time-clock tracking, employee identification, money transfers, and other value-added services.

Employees can now:

- Receive their salaries electronically and conveniently access funds on payday.
- Enjoy time and money savings with no more check cashing fees and long queues to obtain cash.
- Make purchases and get cash when they need it, rather than carrying large sums of cash.
- Access funds on a Visa card that is protected by a PIN at ATMs and with a cardholder's signature at merchant locations.

- Use their Visa Salary Card to pay for groceries, gas and even utility or household bills. The cards can also be used for making payments on the phone or online, and to withdraw cash at ATMs.
- Replace lost or stolen cards, which carry the same liability protection against unauthorized purchases as other Visa cards.
- Monitor card activity and track balances easily and efficiently through monthly statements and the customer service center.
- Potentially build a relationship with a financial institution and eventually gain access to a full range of financial services.

Looking to the Future

ABN AMRO expects to sign up nearly 70 companies and issue close to 12,000 Visa Salary Cards by the end of 2006. The bank is also looking to extend the utility of the card program by offering additional value-added services, such as electronic funds remittance capability through card transfer.

According to Karim Beg, “ABN AMRO offers one of the most comprehensive payroll solutions in the market today, addressing the needs of all types of companies and employees in all income segments. We are working on exciting product enhancements to bring additional benefits to our customers and their employees in the future.”