

The Economic Club of New York

Hikmet Ersek
President and Chief Executive Officer
Western Union Company

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Interviewer: Sara Silverstein
Editor at Large, Executive Producer
Business Insider
Host of Crypto Insider and The Bottom Line

Introduction

President Barbara Van Allen

I'm Barbara Van Allen. I'm President of the Economic Club of New York. Our chairman, Terry Lundgren, was traveling today and was not able to be here so he asked me to preside. It's a great pleasure to introduce our guest speaker this morning, Hikmet Ersek, President and Chief Executive Officer and Director of Western Union Company, a Fortune 500 global leader in digital and retail cross-border money transfer and payment services.

With more than 30 years of executive experience in financial services, Hikmet joined Western Union in 1990...I want to say 1999, and became CEO in 2010. Under his leadership, Western Union has successfully diversified and evolved its businesses to become a truly global payments company. He's had a number of significant accomplishments, and I'll just give a few. He's grown the company's digital and mobile offerings. He's expanded the company's portfolio into the payments, in the pay sector in B to B. He has grown the retail money-transfer business to more than 550,000 worldwide agent locations and more than 100,000 ATMs and kiosks implementing a new technology platform and significantly upgrading the company's global compliance programs. Founded more than 166 years ago – wow, that's older than the Economic Club which is 111 years old – Western Union has become one of the world's most global companies serving customers in over 200 countries and territories with a diverse base of agents, front line associates, and of course Western Union employees. It's a purpose-led company and

has a remarkably high percentage of its employees – 80% – who contribute to the Western Union Foundation.

A citizen of both Austria and Turkey, he draws on his international background to speak out publicly on the rights of immigrants, migrants, refugees worldwide, and he has been publicly recognized for his commitment to community and corporate responsibility, including as *Corporate Responsibility Magazine's* Responsible CEO of the Year, a recent recipient of the “Austrian of the Year” Award. He currently serves as the Austrian Honorary Consul for Colorado and Wyoming and is frequently quoted in major media around the world on policy and societal issues. He’s a member of the International Business Council of the World Economic Forum and the Business Roundtable.

He began his career in financial services in Europe when he joined Europay/MasterCard in Austria back in 1986. A decade later, he joined GE Capital, where he also represented the GE Corporation as the National Executive for Austria and Slovenia. He speaks English, German, and Turkish fluently. And he’s enjoyed a short career as a professional basketball player – that makes sense, he’s quite tall – in Europe prior to his private sector experience.

He holds a master’s Degree in Economics and Business Administration from the Economics, I guess the University of Economics – it actually has another name that I can’t pronounce – in Vienna, Austria.

We're also pleased this morning to welcome Sara Silverstein – she's Editor at Large and Executive Producer for Business Insider, she also is the host of Crypto Insider and The Bottom Line – who will be interviewing him. And we thank you both for being with us today. With no further delay, could we have you come on up. As is our tradition, we will save the last 15 minutes for questions from our members and their guests. And as a reminder, this morning we do have media in the room. The event is on-the-record. And as always, please be assured that we will finish promptly at 9 am. Thank you.

Conversation with Hikmet Ersek, President and Chief Executive Officer, Western Union Company.

SARA SILVERSTEIN: Thank you so much, and it's such a pleasure to be here with you. So, Western Union has been around for over 160 years. How has the company stayed so relevant?

HIKMET ERSEK: Well, you know, first, we are proud of our history of 167 years. We have a kind of a DNA in our corporate culture that we disrupt our own business and that has been over the years. If I remember that, we connected the continent with telegraph lines in 1861. We sent, in 1974, first satellite to orbit, commercial satellite to the orbit. It's still hanging out there somewhere. And then we also issued the first charge card, first pre-paid charge card globally. In the late 90s, we connected the world to transfer money, and every time we changed our business model. And currently we are also in a process changing our existing business model and really

looking at, instead of having our competitors change us, force to change us, we are looking always how we can change ourselves. And that has been in our DNA, and that change culture we have at Western Union, it's enormous. From the outside, sometimes people think that we are an all-cash company who carries cash from one location to another location. We are horse and carriage. But we are not. We are doing digital transactions all the time. And that DNA at the company, that close with the customer, and asking that question every time to the customer, what do you want? what's next? has been here. And it's not like, you know, I'm sitting in a corner office and saying that I have the idea, the best idea, I am the smartest. It's the customer is the smartest and we do listen to the customer all the time. And that tells you, actually it's very easy if you really listen to them, it's easy to run a company. It gets harder if you don't listen to them, if you think that you are smarter than the customer. That change doesn't happen. And that kept Western Union market leader. We had also our hard times though. We were in Chapter 11 in the 70s, right? And some of the executives did not listen to the customer, they didn't believe in the internet. They said, okay, telegraph will be the world connection. And we did have our issues, but at the same time we came out of that crisis in the 70s and now we are world leaders. So that DNA is unique at Western Union. Also, the executives we are looking for have that kind of understanding. Our search companies who work with us, they know we have a special DNA. You have to be ready for change. You have to be uncomfortable with the comfortable and constantly asking what's next keeps you alive probably and keeps you market leader.

SARA SILVERSTEIN: And how did you get involved in Western Union?

HIKMET ERSEK: Oh, well, I had been in the financial services companies, ten years Master Card, five years GE Capital. And as the globalization started, I was at GE during Jack Welch times. GE was number one company in that date, especially GE Capital was growing very fast under Gary Wendt. And these days, I was also asked to build a payments company for GE. It acquired some banks in Europe. And I was enjoying my job, number one company, you didn't leave at that days GE easily. That's the best school. And I have, I still thank GE a lot because it's definitely one of the best leadership schools. They really develop people in a perfect way. And I remember, I was in Crotonville, up there, you know, getting management development sessions. And then one day I get a call if I would like to join Western Union. Western Union was also getting global. It was a small company. And I said, no way I'm going to join Western Union. And my father, I was living in Austria, and my father was living in Turkey, and he became old, sick, and he needed money to go just to pharmacy to pick up, you know, medicine and everything. Although he had his pension payments, but at the same time, you know, that was not enough. He need just money like many people do. And it was hard for me to send money from Austria to Turkey. It took four or five days. You didn't know if it's going to arrive or not arriving, how much will be paid out. And so, I was, you know, although I was in financial services, it was hard. And then during the first interview, I said, no, I'm not going to join Western Union. I'm okay with GE. I like it. I may one day become a department head or something like that. And then the second interview, I was thinking, I went home, I was thinking if I have that problem sending money, it's that hard for my father, there must be like millions and millions of people worldwide, they have the same issue. And that suddenly said, hey, I could

help my father but at the same time I can create something here. That was how I joined. Went back, called back the management, came to the U.S., had an interview, and then I joined and started to build the business in Europe. And basically, in that days it was like, woke up in the morning, which country do we open today? Where do we fly? With which reserve banks do we negotiate? Because it's a very regulated business. How do you get a license? How do you have agent locations? How do you implement brand? How do you implement that trust with the consumers? That was obviously my main job, and that, in 200 countries, we are now in 200 countries. In that days, we were about 35, 37,000 locations. In 2000, 2001, we celebrated our 100,000 locations. In 2005, 250,000 locations. Now we are about 550,000 locations and 4 billion accounts actually, almost 4 billion accounts. You can drop directly money globally. And it was fun time, I mean it's still fun, you know. But it was also, the multi-cultural competency was extremely helpful for my career, you know, having different, growing up in different cultures, two different religions – Muslim religion and Catholic religion – married to a Hindu, half Catholic. All these things helped obviously also to drive that business and build that relationship starting from the head of a reserve bank, to head of a bank, to understand the customer needs, the same need that I had to send money to my father to buy a blood pressure medicine. It's an emotional moment. It's extremely emotional. And understanding that marketing need, building that connection, and standing for them has been, definitely motivated me to join Western Union and respectively, still that learning, I'm still implementing that learning. I'm visually thinking of my father every time, how he went, picked up the money from the Turkish post office that was an agent, and went with that money and went to the pharmacy and felt better. And that happens

to us today 31 times every second globally in 200 countries, 150 million consumers. And that's kind of, yes, what we do.

SARA SILVERSTEIN: And as a truly multi-cultural CEO and global company, what advice do you have for American executives who run global companies where they might not have the same perspective that you do?

HIKMET ERSEK: Well, it's, you know, there's one theoretic thing and then there is definitely the times are also not supporting being global now. We are talking about obviously currently more on walls instead of building bridges. Look at this room, I believe it's extremely multi-cultural, extremely open. New York, look at New York where we are today. And it doesn't happen, like if you build walls and close your environment, close the doors, you're wondering why the people can't be global. So, first of all, you have to think that the world is that connected, that you can't stop it. Today, everybody can run a business from home with a mobile phone. The mobile phone today is the, you know, it's a small computer. The apps you load on your mobile phone allows you to be connected. Now you can have, and at the same time, you know, you can build a small business from home and do a furniture trading business with, for instance, with Indonesia. And that connectivity, it's enormous. But at the end of the day, you have to meet people. You have to understand them, and you have to really respect the culture. In some Western cultures, we don't respect the other nations, other people, and we think that we are sometimes smarter than they are, which is not the case. What I learned over the time is that every

time, if I go to Tajikistan, to Dushanbe, or if I go to Bangladesh, to Dhaka, or if I go to Peru, or if I go to Mexico, every time I learn. I learn, and it makes me richer. It makes me wiser and richer. And it's so simple, and if you learn that, and implement that in your day-to-day skills, it makes you even a better executive and a smarter executive. The people who don't want that are actually scared from the other people. And if you are scared, you won't be successful. You will keep your community in a small environment. You won't be a global leader. You could be a local leader, which is okay, by the way, if you want to be a local leader. It's okay. But if you really want to be a global leader, you can't be scared to go to North Uganda, which I was there a few months ago with Nicole, together and we were there with Forest Whitaker, by the way, and just to understand what the thoughts or the needs, refugees' issues are. And when you go there, you have to talk to them. You have to really understand, sit down with them. It's not just making a presentation and going away, and I know how to, what the best way is. You just really have to take your time. Now, it sounds good. Everything, you know, everybody can do that. How do you turn that into a business model? That's the big question, right? And so, what we do to turn that to business model, we just involve them. We just make the executive being a part of that. If you look at my executive team, I have, let's start – one American, one Indian, one Brazilian, one Lebanese. Then I have one Chinese, born in Brazil, American citizen. And our meetings, I forgot, if you see the executive team meetings in the mornings when we start, you know, it's unbelievable. It's a different energy. And it's a kind of a how do we really solve a global problem? It's not how do we solve a country's problem? How do we really solve a global problem? We talk even about climate changes – money transfer company talking about climate change issues. Of course, you

know, I believe that the biggest threat today is that the future climate change will drive the most immigration. The people will move in a different way, not because of economic reasons, just because of climate changes. So, that multi-cultural global view in the executive team puts a different dynamic and we create different products. We talk to the customer differently. And that's definitely something that I would recommend to any, not only Americans to use, yes, but to every CEO. By the way, if I may mention one more thing. I believe that Americans are more multi-cultural than the Europeans. That's a wrong perception. And, you know, if you really are talking to some, I don't want to offend, hopefully, someone, a French CEO, or an Italian CEO, or you know, maybe Scandinavians are much more open, but really a CEO, an Austrian CEO, the flexibility of them are not that big like the U.S. CEOs. The reason for that is that this country is built on immigration. This country is global. This country was always, you know, open, and has values. And actually, they're extremely open to different ideas than traditional countries, traditional cultures like some European cultures, or even India, even China, I think the U.S. is much more open. That's one of the strengths of the U.S. companies and global leaders. I hope that's not gone and I hope that the political environment doesn't change that, but that's a strength of U.S. companies.

SARA SILVERSTEIN: And it's such an interesting time to be in the payment space. A lot is changing. What is the barrier to entry? What is keeping banks from doing what you're doing or from an app to replace what you're doing in cross-country payments and cross-currency payments?

HIKMET ERSEK: Well, you will hear from every CEO, every CEO will say their business is the most complex business, right? You know, because you do day-to-day your job and you think, oh, my God, how do I do that? Right? And how do I motivate my people and everything? But, cross-border money transfer, it's a very complex business. It is regulated in 200 countries. Every regulation is different. We settle in 131 currencies, 31 transactions every second and \$300 billion of settlement every year. It's extremely complex. And so, the business model changed over time. What happened in, as I joined Western Union, was the success was that you opened a country, build it, they will come. Then globalization happens, the Gulf States were growing. Millions of people moved from South Asia to Gulf States or to Europe or to the U.S. from Latin America, so these corridors happened constantly so we built the business. And we outsourced every responsibility to our agent network. After the financial crisis, the regulators said that, hey, there's nothing like that anymore. You own the end-to-end experience. You have to know who is your customer. You have to know who is your front-line associate. You have to know what the transaction is doing. You have to know who is receiving the money. Why are they receiving the money? What's the compliance requirements? Who is this? You really have to check everything. So, you have to understand that we have about 150 million customers globally, and repeating and everything, but also new customers. Then we have about 2 million front line associates globally, who are transacting and doing these things. And so, within that environment, it got complex. It would be easy for Western Union to say that I'm only going after corridors from U.K. to, I don't know, to Russia, or from U.K. to Germany, or from U.S. to Mexico, and I don't touch other

countries. And as a CEO, I have to be, during that environment, as the regulatory environment changed, I was thinking about that. Should we only go after profitable corridors? But our mission-driven purpose said, no, you have to serve every customer globally, and we have to be in Last Mile. We really serve a different kind of customer. There are seven billion people worldwide, and our customer segment is different than most of us know. You know, we are not a Louis Vuitton or we are not a Mercedes or we not a Ferrari. We are really serving the people who have a need for day-to-day life. And within that environment, many banks, at the same time, saw the complexity of the business, pulled out. And we realized that that could be a competitive advantage for us. If they pull out and I invest in the compliance, I invest in the technology, I invest in all the apps, that was, you know, we sat down, I presented to the board. I said we are committed to anti-money laundering activities. We are going to look at every transaction. We're going to know every customer. We're going to know every front-line associate. We're going to check every location. We're going to check every transaction. That's a huge investment, huge investment. And you have to communicate that also – we are a public-traded company – to our shareholders, saying that, hold on a second, you're going to invest here. That may cost us a lot of money. In fact, 6%, in the beginning 5% of our revenue went to compliance activities suddenly as a cost – \$150 million every year. Today, about 20% of our employees are only working on the anti-money laundering activities. There was, you know, like 2%, now it's 20%. And we realize that it's a competitive advantage. And we could serve the banks actually when they pull out of the business. Say, hey we can serve your customers, would you work with us? And that changed the business environment. The board was very supportive. I have a very good board.

Shareholders in the beginning asked a lot of questions of course. Why do we need that investment? But they believed in our long-term vision. And, in fact, in that days, about eight years ago, we started to heavily invest on our mobile money transfer and our westernunion.com channel. We started to create new apps. We opened an office in San Francisco with two people in the beginning. And we said, okay, retail money-transfer is good, but the future is digital sent and receive digitally, and the customer behavior is changing. So, keeping the retail money-transfer as a high profitable business, at the same time creating a new environment, at the same time investing in the compliance, changing the business model was challenging for me and for, you know, for the corporation. But we kept our promises. We went there, I said to the board, okay, I'm going to create that. We're going to invest heavily there. We're going to start with two employees. And didn't hire someone from the Bay Area, which is extremely smart, and a shareholder asked me. I hired someone out of Africa. The head of digital today was leading my Africa business. And Khalid Fellahi is now one of the most, best executives on digital money transfer and he leads the San Francisco office. We have now 250 people there. It's our fastest growing business, especially the app-based money transfer. We are growing, it's a half a billion-dollar revenue business almost and it's growing, you know, by 20% over year. And more and more people sending from their mobile phones while they are taking the underground in New York to Puerto Rico, doing that transaction, sending money immediately. And there's no other company globally like us, sending money immediately from an underground, from your mobile phone, to 200 countries in minutes. We can deliver in minutes. Except in two countries, for sanction reasons we are not there – one is Iran, one is North Korea. North Korea may be

changing soon, I don't know. But these are the two countries. Otherwise, we are in every country. So, these kinds of things did help us to be competitive, be on the top of the technology development, being innovative, to your question, just in the beginning. And I think that the perception also in the public with the analysts, with shareholders changed over the last two or three years about Western Union. It's seen as an extremely innovative company, ready for change, and a highly profitable company.

SARA SILVERSTEIN: And a lot of the issues that you're solving for and that you're successfully solving for are a lot of the, what we hear people say that cryptocurrency is trying to solve for as well. Is cryptocurrency a replacement for money transfers of cash or how do you see working with cryptocurrency in the future?

HIKMET ERSEK: So, cryptocurrency is definitely something. It's a hot subject. And there are many, many ideas, but I did not see a proved business plan or consumer need behind that yet. I wouldn't say, you know, you never know the future, but yet. So, to look at that, we did invest in the cryptocurrency area, then the blockchain area, built on blockchain obviously. But it's more a testing, look at it, what's going on there, instead of heavily saying that that's the future. The reason is very simple. It's not because of me. It's not because of our innovation people. It's because the consumer tells us. I don't, I can't use cryptocurrency in Kerala to go and pay my hospital bills. In India, in Kerala, it's a huge community which people go to, especially to the Middle East. When they receive money from Saudi Arabia to Kerala, they want to receive in

rupees, Indian rupees, and they want to receive it immediately, either on their account or cash at a location to pay just hospital bills or school bills. The fiat currency is still here, will continue to be here, and I don't think any nation, any reserve bank wants to give the control away about their own currency. Nations are built on flags, on constitutions, on whatever, on borders, and also on currencies. Every nation has a currency, or economic zones like Euro, right? I don't think that anyone will, anyone who controls, I mean who has in the government, not controlled, but in the government wants to give away that asset, and the nations won't exist anymore. So, as long as that's going to happen, and people will use on the day-to-day basis, their normal currencies, I think cryptocurrency will be used by a certain segment. For us, Western Union, we don't care. What we do is that if we take dollars, we give someone a digital number, a 10-digit digital number. It's issued one time. And we turn that 10-digit number to local currency in Philippines, in pesos, Philippine pesos. And this travels, this 10-digit number travels for accepting the transaction, for know your customer, for settlement, for data transfer. It's all digital and paid out. The same thing goes also for the receiver, for anti-money laundering, for know your customer, who paid it, when paid, and settlement, because you turned a dollar to pesos and then you have to settle with your partners and with the consumers. So, within that environment, we created a system for 131 currencies, for 200 countries, in minutes. It's hard to replicate. And we are still trying to find what could, what kind of, what is behind that that will help us make that settlement even more efficient. One thing is clear. Cryptocurrency is not a use-case now for our customers and it will take a long time to be probably use case for day-to-day usage. For settlement, there are some ideas and we are working on that, but we did not find a business model yet that could

be efficient for investing.

SARA SILVERSTEIN: And how are you using AI in your company?

HIKMET ERSEK: That's, I am a big AI fan, although some part of my heart says that we don't want that blue-collar workers are replaced by metal-collar workers. Because, you know, as people work they create wealth. Wealth creates money moves. When money moves, good things happen, people go to school. But a machine is a machine, it won't send money, because, you know, they don't have children. And number one reason why people send money back home is education. Thirty percent, when you ask the consumer, why do you send back money home, to Philippines, they will say because I want that my kids have a better life. And machines won't do that. So, AI, that's a different political discussion. We can discuss that maybe afterwards with a cocktail. I'm a big fan of AI because, especially in our business, when you operate in 200 countries, there's a lot of information you collect, a lot of data, which I mentioned earlier. Also, a lot of economical data. Where is job created? What is the next currency, the currencies, how they act against each other? What's the next risk? What is anti-money laundering activities? What's the political situation? What does the consumer say? What does the front-line associate say? And there's millions and millions of data. All this data does influence the customer behavior. How do you price a product in the last minute in Qatar for the needs of Bangladesh? Humans can do that, but then you need millions of people. And all this information are put in the AI and it gives kind of a price calculation, which is satisfactory for the customer and where really you can also drive the shareholder value because if you don't use that information, it's a waste and it doesn't drive

the shareholder value I believe. That's why I'm a big fan of AI.

SARA SILVERSTEIN: And your company is constantly innovating, what is next for payments? What are you guys doing in 2018 or 2019?

HIKMET ERSEK: So, we are very much focused on...today our core business is C to C, consumer to consumer money transfer if somebody has a need. We do have, a smaller part of our business is the payments, B to B, business to business, exporters to importers. But also, C to B and B to C. I really believe one of our biggest things is, we call it cross-border solutions, today we are selling product, Western Union product. In the future, we will sell to businesses, solutions – use our data, use our engine to serve your customers. And we started with them, I think the market is reacting positive on that because, you know, everyone has their own ecosystem. And the question is, can we help that ecosystem can talk to each other and to drive the value of one ecosystem. Is it, you know, it could be banks, it could be also marketplaces, it could be any payment needs. You want to pay your lawyer in Mexico, or you want to pay your bills in Mexico, or you want to load your phone in Kenya, your mom's phone in minutes in Kenya. End of the day, the money has to move, you need solutions. And that's something that we are investing, that's something that we are looking at. That could be one of the growth areas for Western Union. And we are looking for new customer segments as I mentioned in my last earnings call. And that new customer segments, you can only reach out to them if you really have a robust platform, cross-border platform, which we do, I believe. And we really want to go from C to C, grow the C to C, grow our digital business, but at the same time going really to the

business side, also payments part.

SARA SILVERSTEIN: You mentioned earlier you have a clear mission to serve your consumers, but you also have shareholders. How do you balance that? How do you convince your shareholders that you should have outposts in places that are not profitable?

HIKMET ERSEK: Well, that's obviously not only my issue, it's every CEOs issue, you know, especially if you have a core business like ours, which is about 20% margin business. And it's a good margin business and we are market leader. We have a good market share, you know it's 15, 16% market share. It doesn't sound a lot but if you look at that, we are definitely a market leader. There is some opportunity. So, the shareholders, I believe, would like to see stronger growth from Western Union, more customer top line growth. And I think they do understand that if I use the existing capabilities and expand to the new customer segment, that could be also second leg of Western Union. It could be quite strong. So that's what we are doing today. It is definitely, you know, your question could be, next could be what is the short-term, what is the long-term, quarterly results, long-term guidance, all these discussions, which recently came up again, I think at the last business roundtable. We talked about that. I think there was also in the *Wall Street Journal*, an article from Jamie Dimon and from Warren Buffett about that. But, I think that if your core business, continue to optimize the core business, and use different ways of keeping the margins as it is, and really going, using your existing platform going into the new segment, the shareholders would like that actually. They will see the growth coming. I'll give you an example. As we started to talk to the shareholders that we were going to invest in our San Francisco office,

on a digital office, it was a big investment, and saying that, okay, we are keeping the money because it's going to be long-term growth, of course in the beginning some people asked, can you do that? Can we believe in you? We are the shareholders, we would like to have the return. But if you really tell the story and the story is based on facts, not on dreams, base the story on customer needs, the shareholders are also human beings like us. They believe in you. They believe in your business model. And if you start to execute that, which we did at our San Francisco office, and now it's really our North Star, westernunion.com, we could do that also in the payments part. So that's what we are doing.

SARA SILVERSTEIN: And you are, Western Union is very apolitical because you are in so many countries and you're serving the people there, not the governments, but also immigrant populations are very important to your business, and you have strong opinions on that. How does that play out and where do you fall on the current immigration issues?

HIKMET ERSEK: Well, headlines, immigration issues headlines are currently all-around U.S. but it's not the U.S. only. Europe has the same issue. Russia has the same issue. If you look at, India has the same issue, Bangladesh has the same issue, Myanmar, Australia, with all the people coming, the boat people, they even put people on the islands. They don't want to deal with that. So, I think we are in a phase that they don't know, we are in a phase that we don't know what to do with refugees or immigrants on that. This needs a reform in every country. And U.S. can lead that actually. Instead of leading it, kind of, you know, we are pushing this issue in front of us,

kicking the can, and we don't really focus on that as a long-term vision. And if U.S. is leading that, other countries will follow that issue. And currently, on the immigration issues, it's not an issue, immigration opportunities, a global leader is missing. There's no voice to talk about the positive sides of immigration. And, you know, you have to understand the immigrants have no voice. They can't vote. They have no ___. They have no rights when they arrive in a country. They're always a citizen of second class because they didn't get their papers yet. They got maybe a visa but not really, the real citizen papers. It's a struggle. But at the same time, it makes them extremely resilient. Half of the Fortune 500 companies were built from immigrants in the U.S. and they contribute to the country a lot, they arrive. At the same time, they support also the countries from where they come from. Today, immigrants send about \$600 billion back to their home, to their loved ones. If the \$600 billion, can you imagine, \$600 billion is I think 40% higher than foreign direct investments from any state, if the \$600 billion doesn't exist, the world will be in a really very terrible situation. The \$600 billion goes directly from person to person. I'm only talking about the C to C remittance market. It means that there's no corruption in the middle. It goes directly to the families and loved ones. They can use for day-to-day use. And I think, when I talk to, when I go to Washington, DC, to senators, and I talk to everyone, they understand, but the leadership is missing to be a voice of the immigrants. We do have our business roundtables or other parts like, you know, other CEOs speak up, but it's really a political agenda. And it's very connected with the globalization, protective environment, protecting your economies, and it's a challenging, challenging discussion. I believe that globalization, you can't stop globalization. We were talking about that. Today, you know, people

are connected with their mobile phones. Globalization is taking only a break, corrective break. But today, we are all living on one planet and the planet is getting more connected and will be more connected. You build walls or not build walls, it will be more connected because of the data exchange, because of the connectivity, internet connectivity, because of the telecommunication connectivity of the people. I don't think that you can build walls against these connectivities. And if that's the case, if I can do FaceTime tomorrow with someone in Vietnam, with my business partner in Vietnam, how do you stop the other, the globalization there? I mean you're communicating in that minute with someone in Vietnam. And that connectivity also puts the people together and jobs are created, businesses are created, and that's why, you know, that needs some positive message. We know it, we all know it, but it's not packaged. It's not packaged. There's no voice from immigrants. There's no positive voice for the people. And I'm trying to do that in my way, but I'm a business leader, and that needs a stronger voice I believe.

SARA SILVERSTEIN: Great. And I think it's time to open it up to everyone else. I was lucky enough to get to ask lots of questions, but does anybody else have any questions?

QUESTION: Thank you. So, as you look at some of your newer competitors in the tech space whether it's an Alipay, whether it's Remitly, Transferwise, Paytm in India, what do you admire most about those emerging competitors? And, you know, what aspects of their business are you looking to replicate within Western Union, if anything?

HIKMET ERSEK: So, obviously in the fin-tech industry, there are a lot of competitors and all are coming very strong, growing very strong, the downside of that is that growing strong is from a smaller customer, smaller base. What I admire with them is that we learn a lot from them. They are definitely agile. They are small. They're faster in the market. And we are a big corporation, and what we learn from them we try to implement also in our environment. There is not a secret sauce, though, today, thank God, because in the last eight years we invest heavily in the innovation, there's not a secret sauce they are doing that we can't do. The big advantage we have is that we are a truly global company. They're local companies. Xoom.com, for instance, everybody was talking about xoom.com. Dan bought that. He was here. PayPal bought them. And we were assuming that they were going to be an immediately global company given PayPal's background. And they did struggle with the complexity of the business I guess, they are now still sending money only from the U.S. globally. We are sending, you know, 200 countries. So, I think even that shows that the complexity of the business and understanding that complexity, having licenses in 200 countries, it's a huge asset, and that is hard to replicate. And transferwise or others have to get a license in Qatar to send money to Bangladesh. Or you have to be present in Saudi Arabia to send money to the Philippines. Plus, you have to be present in the Philippines in the Last Mile to serve the customers. And this is something, I believe it takes time. It's not that we are smarter than the others. We work hard. We've worked hard for many, many years. We've built this trust, brand trusting. Look, we are still, our prices are definitely higher than the competitors, but the people like to pay a premium because they trust us. An

average Filipino nurse does, what \$800, \$900 in the Middle East a month. Half of the money goes back to home, \$400. And this \$400 should really arrive in the last island in Philippines because then we know that this kid will go to school. And that trust for sending money from Saudi Arabia to the Last Mile in the Philippines on a small island in a small village, it's a big trust. It's hard to replicate. And it took us years of years of investment in the brand, delivering the real value, understanding the customer needs. Sometimes I have the feeling that the fin-tech companies are forgetting that. Sometimes I have the feeling that you sit in a corner office, you have the idea, you suddenly can build, you know, the idea implemented in the market without understanding the Last Mile, without understanding the different needs of the customer. That's probably, though they are extremely great, agile, fast, at the same time, you know, sometimes the big view is missing.

QUESTION: So, the vast majority of your business is cash payout to the unbanked, is there anyone, any fin-tech disruptors or anyone doing anything to reach the unbanked that you're sort of keeping an eye on? And then secondly, just, you mentioned your prices are higher than competitors and pricing has been incredibly stable, you've been actually increasing prices, to what extent, you know, 20% margin is pretty nice, to what extent do you view pricing as a lever that you could pull to sort of defend the business model?

HIKMET ERSEK: Sure. The first part of the question was the pricing...unbanked, yes. So, first of all, 75% of our customers are banked. The perception, we call it, is under-banked. Let me

phrase like that. Maybe they don't have the financial tools that you or I have, you know, that you could easily use that. So, they do have a bank account, but the bank account doesn't serve them in their needs to receive money from abroad. That's why we pay out in cash and they don't have, like the tools that, you know, I can use my ATM or my debit card or my credit card, I can play around. The financial tools are missing. That's why we pay out in cash. Most of our transactions, the growth from our transactions, since that comes from digital, receive side is still cash payout. And that's why we have the 550,000 locations and that's a big competitive advantage. Saying that, though, the strongest growth is coming from account payout. From mobile phone to an account in any country is a fast-growing part of the business, but it's a very small part of our business and ___ is new. We are reaching out to new customer segments who want that. The governments are trying harder to give more and more accounts. Is it in India with the demonetization activities, giving more ideas to the people? Or is it in Africa? The governments are really putting, you know, pressure on the banks that they should acquire more and more customers. So, it is a business segment that we believe can grow faster. On the pricing side, this business, you heard it earlier, costs money, you know, to run this business. So, you have to invest in the operations. And you have to pay for something, right, all the compliance programs, technology, and everything. And the competitors also start to realize that, you know saying, that hey, it's not like free of charge to build a money transfer business. It needs some, you know, operations. And what's why the price has been, first of all, that's one reason that it has been stable. The second thing is that we do, do pricing actions, but the big advantage is that we are basically theoretically in 40,000 corridors, actively in a few thousand corridors, and we

sometimes increase prices and decrease prices. I'll tell you, sending money, we were talking about, to Puerto Rico from here, New York has different prices than if you send it from Texas. We do even street corner pricing like an airliner. On weekends we charge different for an exchange from Middle East to Philippines than during the week. So, that portfolio play like an airliner helps us to keep the prices stable. That's the internal customer focus and plus the environment shows that, you know, to run this business you have to invest. That keeps the price quite stable. I don't see also a lot of pressure short-term. I mean I can't predict the future. But for next future, I believe that our prices will stay stable.

SARA SILVERSTEIN: I think we have time for one more question. There's one back there.

QUESTION: Hi. I'm going to ask two questions, okay. Number one, what exactly is it about cryptocurrency blockchain that isn't working, or it's just not immediately making the technology successful or usable? If you could sort of, you know, very specifically identify what the hitch is there. And secondly, you sit on a lot of payment data, have you ever considered on an anonymized basis, making it available somehow to economists so they can track things like, you know, wages and, you know, globalization and things like that?

HIKMET ERSEK: Let me start with the second part of data. Yes, we do have a lot of data and we use it as a competitive advantage. We have a huge, not huge, but quite decent Business Intelligence Department with economists, with risk people, with statistics people sitting there and

analyzing the data and do our three-year plan. Actually, I'm just, the next three years I'm going to present in July to my board again and I'm working based on that. Access to the public, I use it as a competitive advantage so I have to be, you know, I would love to share if it's for good, to drive the political environment, the issues we talked earlier, how migrants contribute to the economy and really promote that in a positive way, I would do that. I think, I could share also bigger data. I'm a little bit, see that as a competitive advantage – our Business Intelligence Department, our data, how the prices will be, or where our next location should be, or what's next economical growth coming. Because, you know, one thing is clear, our customers are always looking for opportunities. They are the first, they get the jobs. They are the first, they lose the jobs though. And we already, you know, see which parts of the world is doing better and which parts of the world need, coming the next crisis. And we do allocate our marketing budgets against that, also our opportunities. So that's a competitive advantage. I'm a little bit, you know, 50/50 here. On the cryptocurrency, the reason why cryptocurrency doesn't work is very simple, because it's not a fiat currency. You can't wash your cars with a cryptocurrency. You can't use your cryptocurrency cross-border. For certain customer segments, it's ideal to trade with each other. But we just sometimes forget we live with headlines. That's also the issue for the question you asked earlier with the fin-techs and the corner office. We don't understand the seven billion people's needs. There are not many, I don't want to, you know, push my ego even bigger, make my ego bigger, but there are not many CEOs which will go to North Uganda with me, to get ___done. And their people, one of our biggest businesses is Africa, intra-Africa, sending money Africa to Africa. You won't read that anywhere. I will say that's great because I, you know, I do

business there. But these are things that people have to understand. And cryptocurrency, Africa to Africa, won't work. Believe me. Not for, maybe in the future, but not now. Because the reserve bank in Ghana wants to control their environment. In Senegal, they want to control their environment. If there is traffic between Senegal and Ghana, they want to know how much money is gone, how much money is received, what the oil prices are, how much export/import will be done? That's all measured in fiat currencies.

(Applause)

PRESIDENT BARBARA VAN ALLEN: Thank you Hikmet and Sara. That was really insightful, and especially in such a dynamic industry. I want to take a moment to just remind everyone in the room that on June 19, we have Lloyd Blankfein, CEO and Chairman of Goldman Sachs, addressing the Club. On June, the 20th, we have a breakfast featuring Nobel Laureate Jean Tirole. And if Larry Kudlow continues to recover, we expect to have him here in New York on June, the 25th, for a luncheon. So, just keep tracking our website for that. And thank you again for joining us this morning. And thank you again, Hikmet and Sara. (Applause)