



**AN EXCLUSIVE
INTERVIEW
WITH THE CREATOR
OF GLOBAL E
PAYMENTS**

**- SELF MADE
BILLIONAIRE**

**- ANDY
KHAWAJA**

Andy Khawaja, CEO of Allied Wallet, is a workaholic. He is an advocate of the old school business method of face-to-face meetings and, at the time of our conversation, his hands-on approach had taken him to as many as 12 countries in the last 30 days. When Corporate LiveWire Editor-in-Chief, James Drakeford, caught up with Andy to discuss the phenomenal success of Allied Wallet, he was engaged in a series of business meetings in Tokyo, Japan. A country which he describes as the “future of payments”.

CAN YOU TALK US THROUGH A TYPICAL DAY IN THE LIFE OF THE ALLIED WALLET CEO?

I probably work around 15 hours a day, following up with five-six offices around the world. I’m dealing with every managing director I have, and sometimes I deal with sales, development, IT and I even answer some customer support phone calls to understand the scenario of the business and the concerns that merchants and customers have.

I’m hands-on because I like to understand what’s going on and how I can improve the business. I like to communicate with the team that I have in the company from every region, from every department and understand if there’s anything I can do to assist and if there’s anything we can improve.

There's not many CEO's that still get involved with the personal support for clients unless it is for a photo opportunity.

It's very important to understand what goes on in your company and you'd be surprised sometimes if, when a CEO gets involved on a level of even taking a call from a customer and communicating with them and understanding their needs, understanding their frustration, how much it can improve. I could write these things down and take them to development and say "listen, this is the concern of some of our customers over here, I want you to build something to accommodate them and make it more convenient for them". And I put it on the desk of the coders and my developers will start working on it and coding it and make sure that our new product is out there and our new customers are happy and they won't have to make that phone call and complain again. Instead of making a phone call and complaining they could be making a phone call and thanking us. Really, you can only understand that if you're part of it.

How did you come up with the concept for Allied Wallet?

I'm a visionary guy and when I look at online payments, I've seen what

banks are doing. They are very much into one jurisdiction. You'd walk into your local bank and they'll provide payment solutions where you can only take transactions from one base, one country, and then they will limit you to a certain amount of transactions, based on the underwriting and the compliance that the banks use. I experienced this first-hand and thought to myself, it doesn't make sense. If you're an online website you can't be limited to just one jurisdiction because it's a global business. Once you have an exposure to the internet your website is out there. That's why it's called the world-wide-web. Because the exposure is worldwide. I came up with this solution that payments should be done not just domestically but internationally as well. Where we'd be able to accept transactions from websites and people in different locations all around the world.

Prior to Allied Wallet, where did the problem with payment solutions lie?

Things merchants experience but do not necessarily understand, like termination of account, termination of website, or the bank not doing the processing for them anymore, it's not because there's something wrong with the account or something wrong with the website. The problem is banks judge the account based on the

credit card and the transaction you receive into the website from where they come from.

For instance, in the US, if you have credit card transactions exceeding 5% of your monthly buy-in that comes from outside the United States, that could potentially generate a lot of fraud and would be considered as high risk. As a result US domestic banks will terminate you. That's a very bad concept in my opinion. It's the same thing in Europe. If you work with a European bank, and you have transactions worth more than 20% of the value coming in from outside the European Union, your account will be subject for termination because you could potentially be exposed to a high risk of chargeback. It means that cards from outside your local banks jurisdiction could potentially claim that this is a fraudulent transaction.

Because they don't have experience in e-commerce, that's how the banks look at a business. It's something that they've just entered recently because the market has changed, so you're talking about compliance officers in banks and the risk department in banks that have been underwriting loans and refinance and giving you a loan on cars or apartments or refinance for real estate or commercial real estate, whichever. These guys have no experience on how to underwrite

an account that's related to a unique website and sometimes they don't even understand why people want to shop online.

So how does the service provided by Allied Wallet differ from the banks?

If you build yourself a website and you fill out an application with the bank, they will ask you "what's the average transaction, how much monthly business are you going to conduct online?" Let's say you put £50,000 and god forbid, after two months you do £100,000. Your bank will hold your money, will shut down your account and freeze your funds for 180 days because you doubled your value.



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They should clap their hands and be happy for you because you've doubled and you're doing well. But instead, they get scared and panic and they put you out of business. That's something that international processors don't do, especially Allied Wallet. We don't do it because we understand that businesses grow. Maybe you've done some serious marketing and you've spent money to bring the traffic in. We're very happy for you, so we understand that. But that's the problem with banks, they don't get it.

Banks also have a tendency to close down business or employee accounts during business trips thinking there's no possibility someone is going to be in so many different countries in such a short space of time.

I have the same problems. My ATM card just stopped today, and I had to call my bank and spend 35 minutes on the phone with them, with their security department, all because I used the card in three countries in one week.

How does Allied Wallet counter this issue?

Allied Wallet doesn't see borders online. Borders are when you fly through airports and go through passport control. Online there are no

“ WE'RE VERY HAPPY FOR YOU, SO WE UNDERSTAND ”

borders and credit card transactions can fly anywhere. You do not have to wait 16 hours for the flight to land before the transaction goes through. That's my philosophy on the business. We live in the 21st Century for God's sake, people travel around the world, there are more flights, more planes, than there ever has been before. We're talking about 100 times more airlines and jets flying in the air than we used to have back in the 70s. So the world's changed and that's an indication that global business has expanded to a level that is beyond imagination. And like I said, banks still don't get it. They block your card.

Allied Wallet has an impressive 0.02% fraud rate. Can you explain how you've achieved such a phenomenal record for safety and security?

We implemented a lot of security systems to prevent fraudulent transactions. The fraud ratio and the chargeback ratio is based on the technology that we build in-house. It means that our gateway is state-of-the-art, it's very sophisticated, and it has got 4.5 .NET code built-in which is the latest technology from Microsoft.

The way we built our system is risk-cautious. We do verification of IP address and matching email. We use a very large negative database for any transaction taking place online to make sure the payee has not attempted multiple chargebacks in the past 24 months. We're subject to reject such transactions because they could potentially be one of those guys out there that like to buy goods and chargeback before re-selling them on eBay, or just out to scam merchant websites.

We have an outbound call-centre to contact the consumer randomly when a lot of transactions take place, just to ask a couple of questions to verify if the transaction is legit or not and to thank them for completing the transaction with Allied Wallet. We also have an SMS verification that consumer can register with the Allied Wallet system.

Then there's the 3D Secure which is the majority of the transaction that goes through Allied Wallet. It's going to be verified by the customer's registered card which means some customers will have to enter the PIN number to verify that this is the credit card that they are using then customers will have to enter a unique code that they register with the bank when they pay using a debit card or the credit card.



Are there any other exciting technological developments on the horizon?

We are currently expanding our gateway which will be state-of-the-art technology. This development will enable large merchants with multiple locations around the world to have a master account that can log into the system and see every single sub-merchant they have. Each sub-account is then separated to be able to view their order processing, live

transactions and data processing, but can still be accessed through the one master log in. Other gateways don't have those services yet. Besides that, it's a multi-currency and multi-lingual service so it will read the IP from whichever country you're logged in and the gateway will translate to that local language and local currency.

How else does Allied Wallet provide a local service to a global audience?

Let's say for example, if we get a merchant from the UK who wants to conduct business in Germany or Scandinavia. Visa, MasterCard, American Express and Diners Club International are going to be accepted. But we're going to add Sofort which is a payment method largely accepted in Germany and Scandinavia. We're also going to add Klarna, direct debit, and Giropay. There are a lot of local payment methods that probably 30-40% of the population in that country use besides Visa/MasterCard. A lot of merchants are not familiar with the payment method in those countries so we'll add those extra payment methods and explain how it works.

Why is it important to incorporate local payment methods?

You need to accept these payment methods because a lot of people don't have Visa/MasterCard. If you want to increase your profit and increase your sales you must be able to obtain those payment methods because a lot of consumers will pay with those cards.

It is the same thing in Asia where we offer China Union Pay ("CUP"), JCB and a few other payment methods which consumers in America and Europe don't generally understand. Let's say you get a Chinese customer

THIS DEVELOPMENT WILL ENABLE LARGE MERCHANTS WITH MULTIPLE LOCATIONS AROUND THE WORLD TO HAVE A MASTER ACCOUNT

on your UK website. They don't have a Visa, MasterCard or American Express. Instead they have CUP. We will provide such a payment method. There are 2.5 billion CUP cards issued in Asia, particularly in China, so you will now have a way to take payments from around 75-80% of Asians.

Are there any challenges for western companies entering China?

A lot of western companies are not interested in processing credit cards in China because they don't understand the market, the mentality and they have no clue about the local products and what they can sell in China. There are no Visas and MasterCards. They

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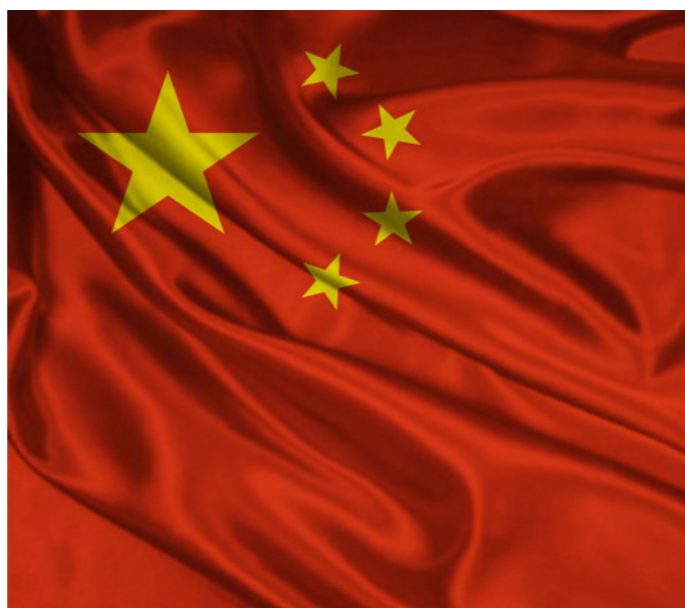
are limited to government owned CUP, and up until a year ago it was the only issued brand card in China. There's a new market now and Visa and MasterCard are trying to get into that market to generate profit. But that's the reason why I entered China.

China is renowned for being a difficult market to enter but Allied Wallet has experienced phenomenal results there in recent years. Can you tell us how you did it?

China is an amazing world market. Five years ago when I entered the Chinese market everybody thought "Oh, he's crazy. What are you doing? Why would you even want to go to China? There's nothing in China!" In the back of my mind I was laughing, because they had no idea what's going on.

Look at today, the largest spenders in the world right now are the Chinese. When you meet Chinese, they are buying everything. They're buying real estate, banks, for God sake they're buying countries, even these days. I mean they've bought probably 20% of Brazil, they're buying Mexico, they're even buying Africa. I'm sure that everywhere in Europe, including the UK, they're buying real estate like the Arabs did back in the '60s

and '70s. So there's a lot of money in China and the Chinese have finally received the ability to go online and start buying products and start conducting transactions.



One of the few companies that do credit card processing in China is called Alipay, part of the Alibaba Group, and at the time who would have thought that Alibaba could become a 200 billion dollar company? Nobody would even think it. People say "who would want to work with Alibaba, it sounds like a thief from the Aladdin days." And here you go today, they are going public IPO on the New York Stock exchange and the company has been evaluated at 200 billion dollars which is more than Amazon, eBay and Google combined. And that's a payment company just like Allied Wallet. The only thing is they only do transactions in China.



What would you say the next targets and goals are on the Allied Wallet agenda?

Staying up to date with technology to make sure that we are supporting every new product out there. Technology is advancing and like I said entrepreneurs are coming up with new ideas and they need a payment processor, so that's why we always stay up to speed on the standard technology and the standard need of these merchants and consumers and we want to say yes instead of saying

no, so we have to be ahead of the game and understand exactly what the future is looking like.

Have you got one final message for our readers?

I would definitely recommend an international payment provider rather than just a local bank for any merchant out there that is looking to expand his business, and the reason why is because they understand the business better and they have much more flexibility to expand and grow bigger.

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