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GamechangersTM

MAGAZINE

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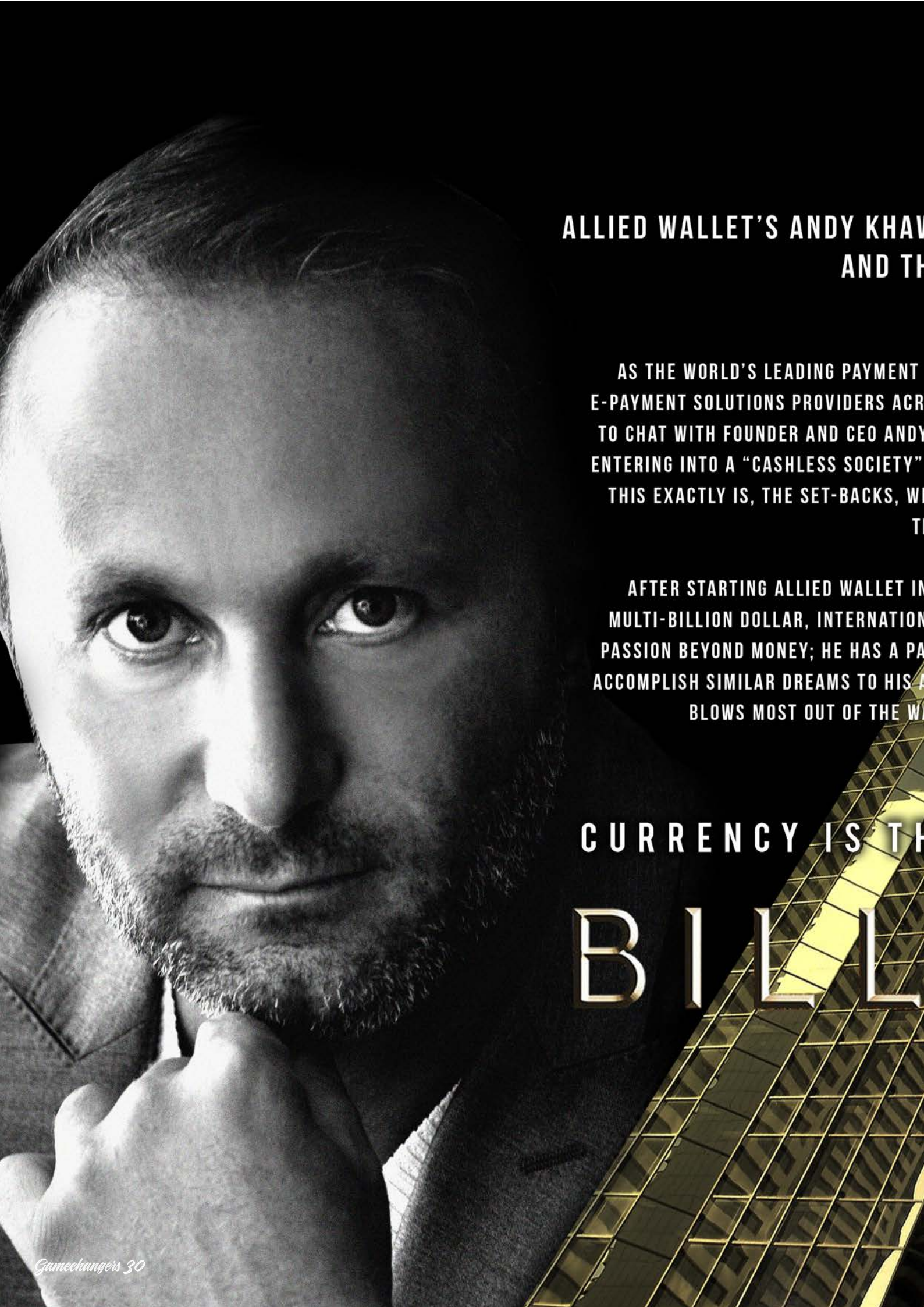
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TECH BILLIONAIRE ANDY KHAWAJA SAYS

BILLIONS

CURRENCY IS THE ULTIMATE POWER

THOUSANDS OF MERCHANTS WORLDWIDE PLACE THEIR TRUST IN ALLIED WALLET, AND AFTER PROCESSING BILLIONS OF DOLLARS GLOBALLY IN 164 CURRENCIES, CONSUMERS AND MERCHANTS RECOGNIZE THE SECURITY WITH THEIR SERVICES. THAT'S BECAUSE THEY'RE NOT YOUR AVERAGE ONLINE PAYMENT PROCESSOR, GAMECHANGERS TALKS EXCLUSIVELY TO THE MAN BEHIND THE BRAND, CEO ANDY KHAWAJA.



ALLIED WALLET'S ANDY KHAV AND TH

AS THE WORLD'S LEADING PAYMENT
E-PAYMENT SOLUTIONS PROVIDERS ACRO
TO CHAT WITH FOUNDER AND CEO ANDY
ENTERING INTO A "CASHLESS SOCIETY"
THIS EXACTLY IS, THE SET-BACKS, WH

AFTER STARTING ALLIED WALLET IN
MULTI-BILLION DOLLAR, INTERNATIONAL
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CURRENCY IS THE BILL

KHAWAJA TALKS CASHLESS TRANSACTING THEIR "BIG IDEA"

PROCESSOR AND ONE OF THE FASTEST GROWING
ACROSS THE GLOBE, WE WERE THRILLED TO HAVE TIME
WITH KHAWAJA AGAIN TO DISCUSS RECENT TALK OF US
AND FIND OUT HIS OPINION ON THE MATTER; WHAT
IS TO COME AND HOW IT'S IMPACTING ONLINE
TRANSACTING.

IN 2002, ANDY HAS BUILT THE BUSINESS INTO A
GLOBAL COMPANY. A SELF-MADE BILLIONAIRE WITH A
PASSION FOR HELPING OTHERS THAT ARE TRYING TO
AND A KNOWLEDGE FOR ONLINE TRANSACTING THAT
EXISTS (OR THE INTERNET IN THIS CASE).

THE ULTIMATE POWER

IONIS

Q. After speaking with you in our last issue of Gamechangers, a new UK survey* shows that more than two-thirds of 18 to 34-year-olds still prefer to pay for goods with cash. From research held at Allied Wallet headquarters, what are your views on this?

I actually kind of disagree with that, because I've been seeing more teenagers paying with plastic than cash on our end, and it also depends on what they're buying. It all depends on the price, the price point, what they're spending money on. Is it a face-to-face transaction or is it an electronic transaction? From our point-of-view, we've seen a massive increase, probably just this year alone, of 11-12% in ages 18-25 have increased in online spending. For example, apps on the phone – which is a registered card payment, so they have to reload the card information on the checkout page to execute a transaction, and that's been a key player. We call it tokenisation. Tokenisation means once you do one payment on a website it just memorises your information so you never have to re-enter your data again. So if you try to make a payment again for the same website, it asks you: Is this the same information you would like to use, password, digits of your card number, etc. Then you confirm and proceed.

So we've seen an increase overall, based on the technology that we are providing. We've seen an increase in card payments over cash.

Q. With statistics showing that 18 to 24-year-olds are slow to adopt 'Online Wallet;' payment solutions, could it actually be the younger generations who are preventing a digital payment revolution?

It could be. I mean, like I said previously, it depends what they find. It could be possible. But with all the new gigs, for example, online games – the majority of the people that do online games represent about £10 million a day in transactions, aged between 18-23. Now they cannot pay cash, you have to pay electronically and we've seen more joined up for online games. There has also been a massive increase in sign-ups with these younger ages. At Allied Wallet, we see that as a potential growth in the youth, preferring to transact electronically.

Q. What are the benefits of using these more advanced forms of payment over cash?

If somebody asked if you could pay cash instead of card, with your card your money is protected, so if anything happens you can always charge it back. But with cash, if you take it out of the ATM you could be followed or robbed by a pick-pocket.

The majority of cards these days link to the backend, collecting miles, awards, you can actually get clothing, free coffee, travel, vacation - so all the points you can spend. So I would definitely say for sure, spending money on plastic is more beneficial and safer than cash in the pocket.

Q. With other payment solutions there are a lot of benefits involved, for example American Express, MasterCard, etc. Could you tell us a little bit more about the benefits of processing with Allied Wallet?

The benefits of Allied Wallet are not only that we provide Visa, MasterCard and American Express, but also many other payment methods that are not even offered by banks. For example, in the UK you can only have the basic options, which is probably Visa, MasterCard and maybe American Express – only with Allied Wallet you have Visa, MasterCard, American Express, JCB for Japanese consumers, China Union Pay for Chinese consumers, direct debit for all European people who have no credit cards and want the option of internal transfer between the banks, Klarna Pay, which is the largest payment option in the Scandinavian countries, Giropay, which is the largest payment option in Germany, and many other payment options and local payment services. We do local payments in Eastern Europe, Asia and the USA. We handle ACH, which represents 3% of the US Treasury daily transactions - we're probably talking Visa and MasterCard combined in terms of transactions.

And when you sign up with Allied Wallet, you would have an exposure to accept all these payments, plus (and there are many pluses) there's shopping carts. We also offer about 35 of the largest shopping carts in the world, which is give-and-take about 60-70 million users. If you are integrated and/or the merchant, and want to integrate any shopping carts, you can take up to six months as you have to hire developers and IT, it can cost you a fortune to integrate them and have them on your platform. Most of these shopping carts are in a closed loop and they don't offer any services to small merchants. You need brand new services to a small merchant up to an IPSP, a large financial institute. The benefits of dealing with Allied Wallet is you have an exposure to 35

payment shopping carts and you also have all the payment methods you can add to your payment page. It's an open channel to literally link you to the rest of the planet.

Q. The persistence of cash is surprising given its inconveniences and more importantly, the risks involved. For both businesses and consumers, what are the main risks involved with cash payments?

Well, you see, we do work with B2B a lot. The reason it's beneficial is because we don't want to be the front for the consumer only we want to do B2B. For one, we find that it's less competition in the market; secondly, nobody can provide such a massive service for B2B like Allied Wallet. For example, I can use PayPal, as it is more for the consumer. The majority of PayPal customers are consumers, not B2B. The majority of Allied Wallet is 99% of B2B, so we provide more services to businesses and we're looking at Allied Wallet as a wholesaler, not a retailer. So we are both wholesalers and a retailer at a global level.

Q. In your opinion, what age range do you feel is most reluctant to embrace the digital payment revolution?

I would say 25 – 35 years.

Q. Working B2B over other digital payment solutions companies that also work with consumers as well, can you see a noticeable difference in younger and older business owners?

I would say 60% of our portfolio represents entrepreneurs. There's a lot of new-coming businesses and a lot of new concepts, especially in the mobile payment apps. As a whole, we are seeing a lot of apps coming out. Some of them, within six months of being in business will generate more money than 'old school' companies that have been out there for 10 years. You'd be surprised when you look at the numbers. You get the new, young entrepreneurs turning in an application after a six-month-start, generating £2-3 million a month transacting online. Then you have companies that have been around 15 years that don't even do £2 million a month of transactions. So it's pretty impressive.

This is why we're dedicating more effort into a program which Allied Wallet created a couple of years ago, it's called "The Big Idea" and the big idea is all about coming up with a new proposal and we will back you up. We'll take your account, and give you a chance to accept credit cards online. If you walk into any bank, let's say today Andy Khawaja will start a brand-new company, I just graduated from college and I walk away with a brilliant idea, I have built an app with a couple of IT developers. I walk into the bank, as I need a merchant account to process for my company. "Which company is it?" they'll ask. "Well, we just started two days ago." And in response to that the bank will always respond cautiously with "Okay, how are you going to back it up? How are you going to cover the risk? You're going to process credit, right? How much are you looking to do?" I want to do £1 million a month. The banks "Well, you need to have a bank account, you need at least £300,000 a month in the account just to cover any potential charge-backs." For the bank, it's just risk upon risk, that they're not willing to take.

That's the problem with a lot of these entrepreneurs; they don't have that much money to come up with. So their dream is over, they go out of business before they even started business. Before they could get into the business, they're already out of business. Now what Allied Wallet does in terms of "The Big Idea" is we give you the chance, we say, okay, we studied the business plan, we like it, this is great, we're going to go ahead and give you a chance to start. We're going to give you the opportunity to start transacting and taking credit cards. You as an entrepreneur can move on and start doing business. The banks, they turn it down and don't give them the chance.

People talk and with time, word of mouth is that Allied Wallet is accommodating businesses and helping entrepreneurs with their new start-up businesses. That's what we want. That's business.

Q. Some more recent reports have put the cash payment preference in younger generations down to ignorance of risk, which the digital payment revolution protects against. Do you agree with this?

I don't agree with it. I think everybody should be given a chance to transact and start a new business. You should not take their dreams away from them.



Q. Coming from a business perspective how do you measure the progress towards a cashless society?

First, the cash flow is easy to get. You transact your credit via a third party, so basically the processing is settling and you pay them out. When Allied Wallet pays out the only concern is the losses – we make sure that the compliance, underwriting and the risk departments, do what they do best.

Q. Do Allied Wallet have intentions to reach out to consumer-to-business payments?

We don't – we prefer to stay away from that business because that puts Allied Wallet in a category of money transmitting and we definitely want to stay away from that. Once you start dealing directly with consumers, consumers paying consumers, etc - that's what gets you into the grey area of paying out, anti-money laundering policies and KYC. Money transmitting and transfer is a nightmare and we definitely want to stay away from that field. We would rather just be the credit card processor, the risk/cyber security and fraud prevention platform. We will leave the transmitting to Western Union, PayPal and other companies that are heavily involved in the money transfer business. We prefer to focus more on the credit processing and stick to B2B.

Q. Another surprising statistic for most was the recent rise of cheque payments, again more so within the younger generation, where do you feel this roots?

I do have a cheque-book in the UK for my bank and I have a cheque-book in the US. I'd say written cheques still dominate about 22% of the market and in the UK it could probably be 17% of the market. Mostly electronic, a lot of people - 20 years ago I'd say – 90-95% of the market was paper cheques, if not 100%. But today 70-80% of the older generation who represent the market, they use that, but the new generations taking over with the digital payment. In the next 20 years, that older generation is going to be renewed by the newer generation, so we're going to see a massive drop to maybe less than 2% in paper cheques. Everything is electronic, that's what we see here at Allied Wallet.

Q. Taking into consideration that it takes the best part of a working week (and in some cases longer) for a cheque to clear, causing issues for both business and consumers. The "instant world" we now live in, could soon take steps back in regards to payment solutions if this continues to increase. What are the vital points younger businesses and consumers are to be made aware of in relation to this?

Money in the bank today is better than money in the bank tomorrow, because if you have your money in your account every day, it gives you an extra buffer to achieve better business tomorrow. We have learned over the years that a paper cheque takes time to get there, you've got to deposit it and the bank will take 48-72 hours to credit the funds as they have to verify the funds available to the third party bank. That is why an electronic transaction is the master of all transactions; it's money in the bank today.

We advise our merchants to transact via credit card payment over any other payment. We encourage them to do this because if you don't care about when you're going to get funded, then that's fine. But our advice to you, why get funded next week when you could get funded today?

Q. In a recent report from MasterCard, surprisingly the United Arab Emirates amongst countries within Europe (including Italy, Greece and Poland) was within the bottom 20 opting for cashless methods. What areas in the world do you feel are most at risk steering away from a cashless society?

I would agree 1000%. In fact, I've been to Abu Dhabi and Dubai, five trips in the past two months, trying to build an infrastructure for them for more digital transactions. I was interviewed on Dubai TV, CNBC TV and MBC, which is the largest Arab network, Saudi Arabian owned channel. These 3 interviews were live, talking about these subjects and talking about how we can improve it to be more digital, over just cash transaction and enabling for a risk-free environment in transacting digitally. So these things I'm working on. I do agree with you, the United Emirates is still a bit behind in the electronic transaction world but that's going to change by the end of 2016. Thanks to the Allied Wallet platform, it's going to be implemented before the end of this year.

Why do you feel are certain countries so reluctant in the first place anyway?

It seems to be down to lack of knowledge, lack of understanding of the business, lack of training on a banking level in terms of technology, ignorance of risk and the compliance/KYC. They simply don't know what to do with it. It's just like the knowledge, they're probably thinking that the transaction is just a trend and it's going to come in and out. Nobody quite understands that this is here to stay. It's going to dominate the world and change the way we do business.

Q. Recent reports also showed both consumers and businesses concern for the risk of technological malfunctions, leaving further doubt in the younger generations' mind. What do Allied Wallet do to prevent this?

Number one, security is very important. If you type in your card electronically, the first thing you'd be concerned about is who you're giving it to, who is the third-party that is going to be reading it, and is there potential for somebody to take money off your account? Allied Wallet has state-of-the-art technology in terms of the PCI Compliance Level One - everything is encrypted on the page, so once it passes through tokenisation, the card itself will never be read again. It goes into an environment of a data centre that's pretty much impossible to hack into and read the card again. Even if that fails, the card is completely encrypted. So that's what we did first, in order for us to protect our consumers' private data. From there on we assured them that any risk or problems, that we will fully look after them – from the start.

We started the company mostly based on fraud prevention, elimination of risk and cyber security with your own transactions / personal data / product information / consumer spending / credit card data / billing address / personal information, etc. So that's helped a lot, and in this period of time we've built a massive reputation. People trust us, they believe in us. You've had a multi billion-dollar company that back in the day failed from a data breach. Lehman Bros went down and a few years ago you had banks in Korea showing \$20 billion worth of loss and damages from credit card data. That is a big concern for consumers. The reason why these fatalities happen is because they don't invest in the technology nor do they put the right brains behind the cyber security, which is the most important thing once you transact online, you must protect data.

Q. With 10% of the vote favouring 'Online Wallet' solutions, what are Allied Wallets intentions to raise this percentage in the coming year?

The infrastructure we're looking at probably raising to buy 50%. The reason why? If you look at the wallet infrastructure, it was created over 12 years ago. We don't want to switch the name 'wallet' to 'cloud' as people are pushing for nowadays. We want to keep the wallet, that's how it is within our infrastructure, virtual wallet, where you can store data, information, etc. I like to think that security is the most important piece, for example, if you look at iTunes, iTunes were hacked, the 'cloud' accounts were hacked and that was openly released to the public. That's the problem if you work with a company; you've got to know whom you're working with. You have to work with a company that has never had a problem, because if there were issues once, trust me, you'll be hacked again.

We came before Apple Pay, Google Pay, Yahoo Pay, Amazon Pay, etc. We are old school. If you look at the chart, the top three companies and payment companies in the world today, PayPal is number one as a virtual wallet and Allied Wallet is the second. Again one of the most trusted payment companies in terms of the virtual wallet, PayPal is first, Allied Wallet is the second. Allied Wallet has been around for over 10 years, and all the other ones have been in existence 1-5 years, they come and go. And the reason why they come and go? Because they fail.

The reason why many companies and financial institutions come and go is because they're only in it for the money. You can't keep the money if you can't secure it. So you've got to build the security first in order to transact, because if you don't have the right security in place, you'll never be able to secure that money and risk it being taken by hackers, what we call a PCI breach. You can't stay in business if you can't secure your merchants. That's why we at Allied Wallet, we started the infrastructure based as a cyber security company. We built our gateway to accommodate security and within five years, we started transacting. These companies come in the first day and want to collect "their" money because they have investors they need to pay back. For that reason, they fail and will continue to fail.

