



Risk Management in a digital world

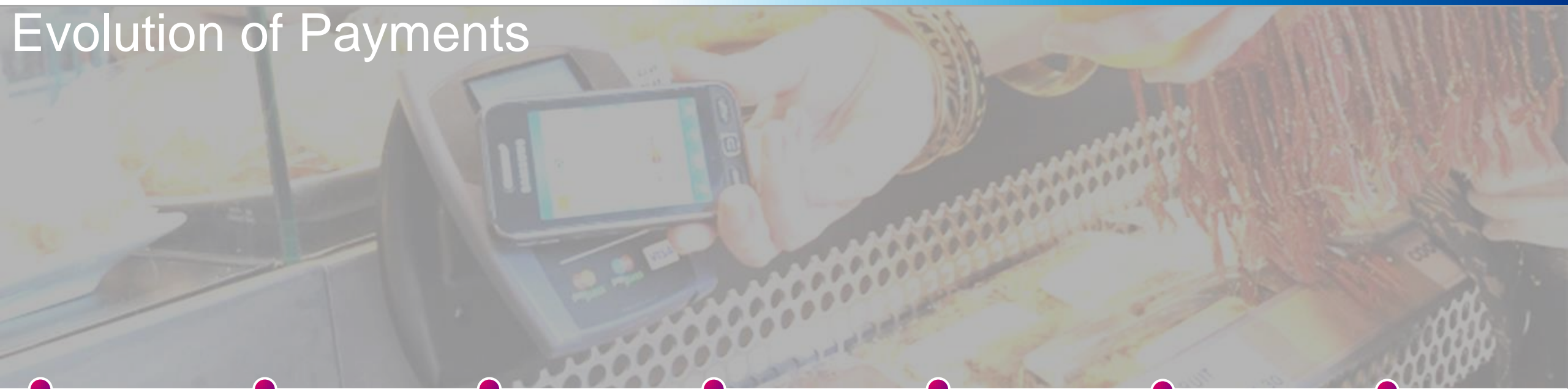
30 November 2015

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Agenda

- Evolution of Payments
- What is PayPal?
- PayPal Australia Fast Facts
- PayPal's approach to risk management
 - Holistic enterprise wide
 - Typical risk scenarios in a digital context
- Closing

Evolution of Payments



Pre 1960s

Cash and barter



1960s

The credit card, the ATM and automated payments ACH



1970s

The mag stripe, cross-border payment messages, barcodes and deregulation



1980s

Frequent flyer rewards, telephone banking, digital TV, online payments, connected POS devices



1990s

The internet, PayPal, pre-paid transit systems, online banking



2000s

iTunes, Facebook, Chip and Pin, price comparison, iPhone, contactless payments, Bitcoin



2010s

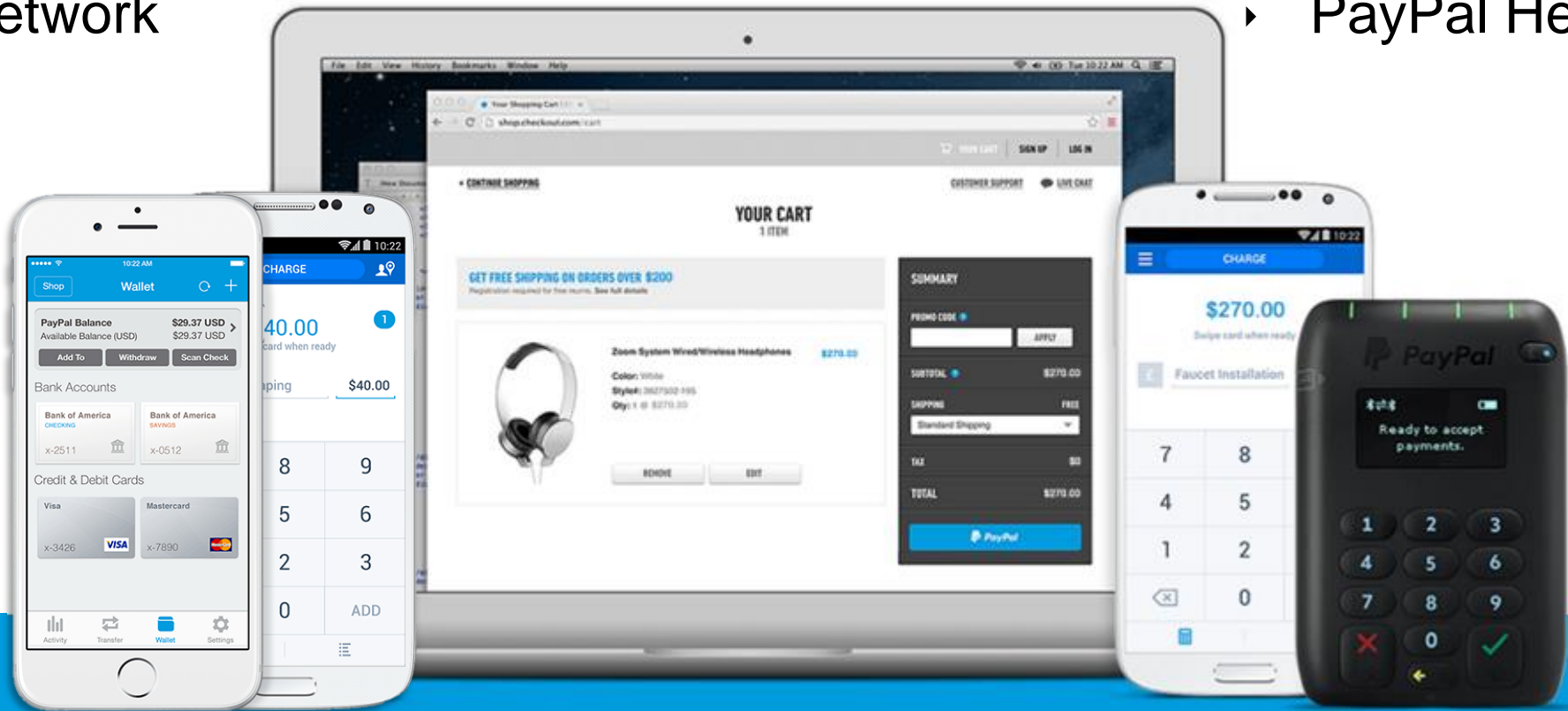
Mobile wallets, Facebook, Credits, tokenization, cloud services, mobile



What is PayPal?

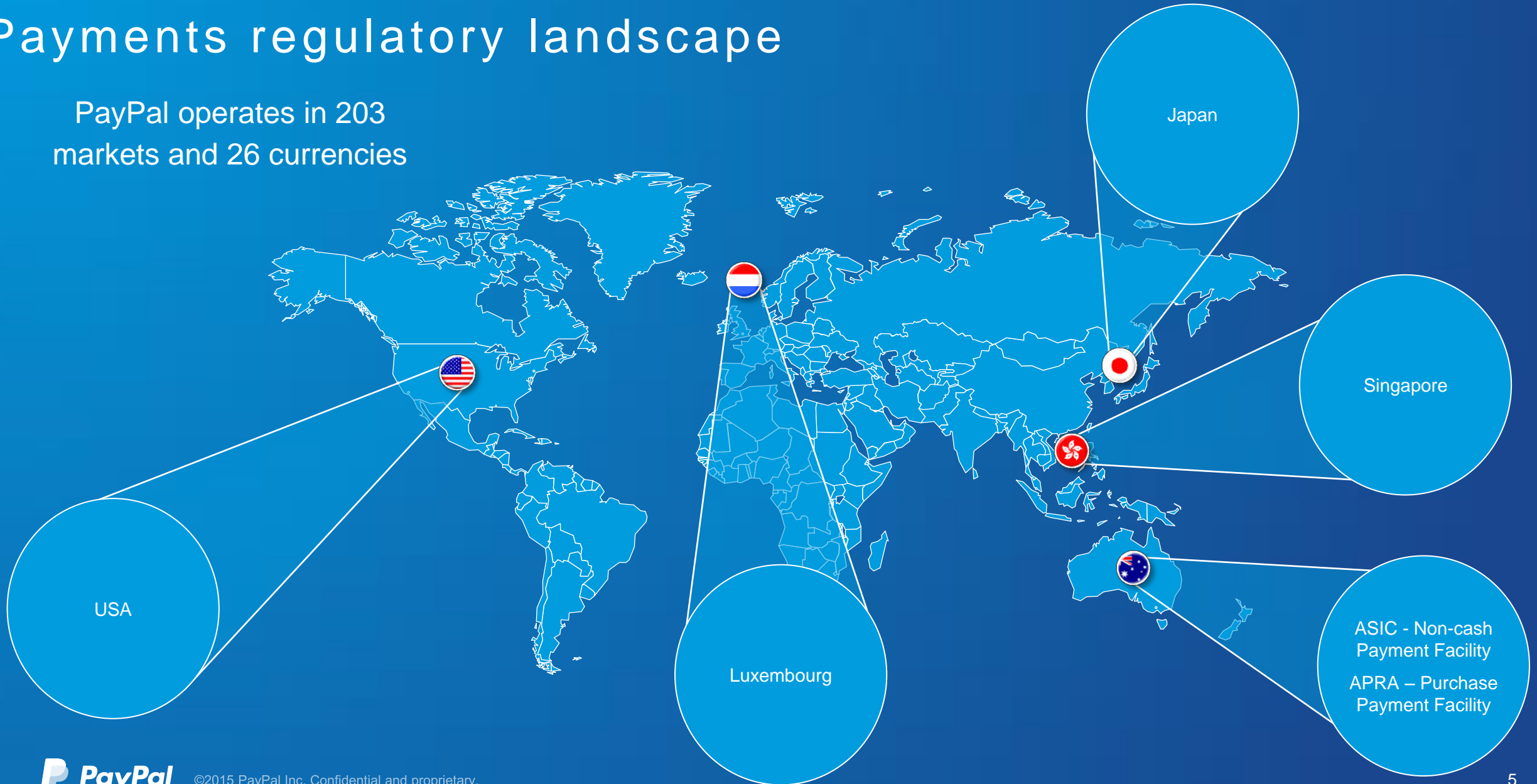
- ▶ Digital Wallet
- ▶ Payment Network

- ▶ Website Checkout
- ▶ PayPal Here



Payments regulatory landscape

PayPal operates in 203
markets and 26 currencies

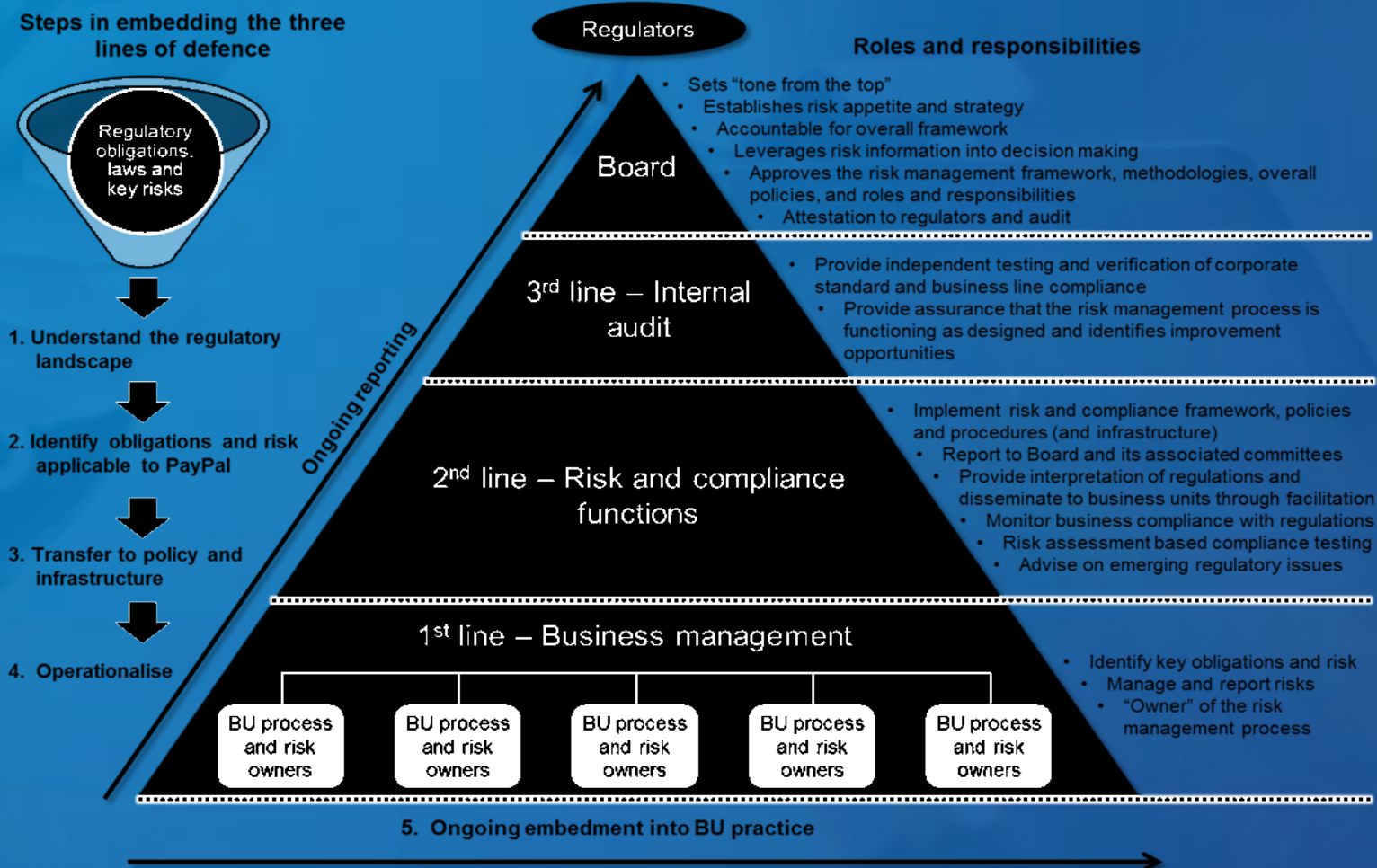


PayPal Australia Fast Facts

1. One of the toughest financial services regulatory environments for PayPal globally, however we have built good regulatory understanding/relationships and are proactively assisting with shaping the payments landscape.
2. PPAU is a 'Square Peg in Round Hole' from a regulatory perspective. PPAU is unique as the only holder of an ADI / Purchased Payment Facility Licence ('PPF') in AU.
3. PPAU has 3 primary regulators:
 1. APRA (Prudential & Banking Regulator),
 2. ASIC (Companies Regulator and Consumer Protection 'Watchdog'), and
 3. AUSTRAC, (Financial Intelligence Unit).

PayPal's Approach to Risk Management

Three lines of defence



PayPal's Approach to Risk Management

Holistic enterprise wide

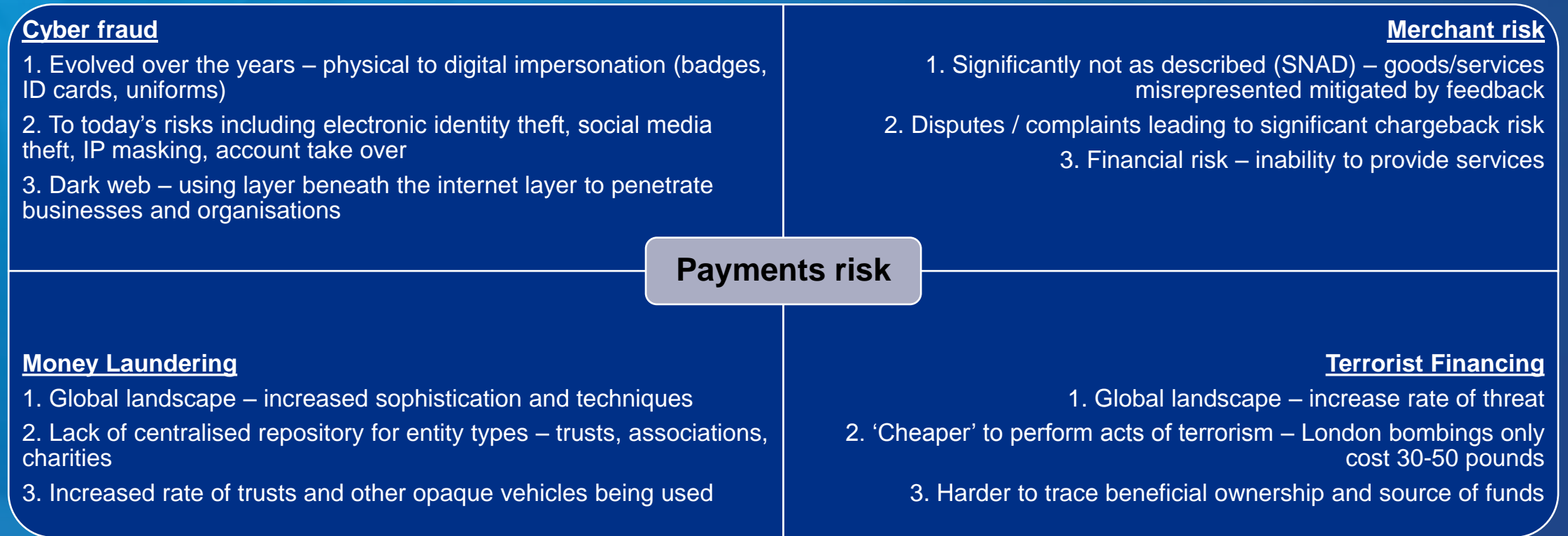


Compliance Business Self Risk Assessment Workshops

- The Compliance Risk Management function evaluates its compliance risks by 'drilling down' into the obligations that PayPal Australia is required to comply with.
- The obligations are allocated to the appropriate obligation owner, from the AU senior management team, who will be accountable and have oversight of the arrangements.
- These obligations are reviewed and discussed during the quarterly compliance partnership meetings, and PPAU Regulatory Forum.
- On an annual basis, the Compliance Business Self Risk Assessment Workshops are scheduled to assess the inherent risk associated with each obligation, determine what controls to implement to demonstrate compliance and mitigate associated risks, assess the control strength and determine whether the residual risk is within the Board's risk appetite.
- Once these obligations are identified and assessed, both the PayPal Australia Compliance Risk Management and ERM functions can leverage this information to accurately evaluate the state of PayPal Australia's overall 'compliance risk'.

PayPal's Approach to Risk Management

Typical risk scenarios in a digital context



Underpinned by proprietary systems that detect and prevent these types of risks from occurring during the lifecycle of the customer relationship – from onboarding to ongoing management



Thank you.