

Western Union CO
Form 10-K
February 21, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to

Commission File Number: 001 32903

THE WESTERN UNION COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization)

20 4531180
(I.R.S. Employer Identification No.)

THE WESTERN UNION COMPANY

7001 East Belleview Avenue

Denver, Colorado 80237

(Address of principal executive offices)

Registrant's telephone number, including area code: (866) 405 5012

Edgar Filing: Western Union CO - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 29, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$9.0 billion based on the closing sale price of \$20.33 of the common stock as reported on the New York Stock Exchange.

As of February 13, 2019, 435,890,819 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2019 annual meeting of stockholders are incorporated into Part III of this Annual Report on Form 10-K

Table of Contents

INDEX

	PAGE NUMBER
<u>PART I</u>	
<u>Item 1. Business</u>	6
<u>Item 1A. Risk Factors</u>	21
<u>Item 1B. Unresolved Staff Comments</u>	41
<u>Item 2. Properties</u>	41
<u>Item 3. Legal Proceedings</u>	42
<u>Item 4. Mine Safety Disclosures</u>	45
<u>PART II</u>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	46
<u>Item 6. Selected Financial Data</u>	47
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	49
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	74
<u>Item 8. Financial Statements and Supplementary Data</u>	77
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	143
<u>Item 9A. Controls and Procedures</u>	143
<u>Item 9B. Other Information</u>	143
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	144
<u>Item 11. Executive Compensation</u>	144
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	144
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	144

<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	144
<u>PART IV</u>		
<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	145
<u>Item 16.</u>	<u>Form 10 K Summary</u>	152

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10 K and materials we have filed or will file with the Securities and Exchange Commission (as well as information included in our other written or oral statements) contain or will contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects,” “intends,” “anticipates,” “believes,” “estimates,” “guides,” “provides guidance,” “provides outlook” and other similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” “could,” and “might” are intended to identify such forward-looking statements. Readers of the Annual Report on Form 10 K of The Western Union Company (the “Company,” “Western Union,” “we,” “our” or “us”) should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed in the “Risk Factors” section and throughout the Annual Report on Form 10 K. The statements are only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following:

Events Related to Our Business and Industry

- changes in general economic conditions and economic conditions in the regions and industries in which we operate, including global economic downturns and trade disruptions, or significantly slower growth or declines in the money transfer, payment service, and other markets in which we operate, including downturns or declines related to interruptions in migration patterns, or non-performance by our banks, lenders, insurers, or other financial services providers;
- failure to compete effectively in the money transfer and payment service industry, including among other things, with respect to price, with global and niche or corridor money transfer providers, banks and other money transfer and payment service providers, including electronic, mobile and Internet-based services, card associations, and card-based payment providers, and with digital currencies and related protocols, and other innovations in technology and business models;
- political conditions and related actions, including trade restrictions and government sanctions, in the United States and abroad which may adversely affect our business and economic conditions as a whole, including interruptions of United States or other government relations with countries in which we have or are implementing significant business relationships with agents or clients;
- deterioration in customer confidence in our business, or in money transfer and payment service providers generally;
- our ability to adopt new technology and develop and gain market acceptance of new and enhanced services in response to changing industry and consumer needs or trends;
- changes in, and failure to manage effectively, exposure to foreign exchange rates, including the impact of the regulation of foreign exchange spreads on money transfers and payment transactions;
- any material breach of security, including cybersecurity, or safeguards of or interruptions in any of our systems or those of our vendors or other third parties;
- cessation of or defects in various services provided to us by third-party vendors;

Table of Contents

- mergers, acquisitions, and the integration of acquired businesses and technologies into our Company, divestitures, and the failure to realize anticipated financial benefits from these transactions, and events requiring us to write down our goodwill;
- decisions to change our business mix;
- failure to manage credit and fraud risks presented by our agents, clients and consumers;
- failure to maintain our agent network and business relationships under terms consistent with or more advantageous to us than those currently in place, including due to increased costs or loss of business as a result of increased compliance requirements or difficulty for us, our agents or their subagents in establishing or maintaining relationships with banks needed to conduct our services;
- changes in tax laws, or their interpretation, including with respect to United States tax reform legislation enacted in December 2017 (the “Tax Act”), any subsequent regulation, and potential related state income tax impacts, and unfavorable resolution of tax contingencies;
- adverse rating actions by credit rating agencies;
- our ability to realize the anticipated benefits from business transformation, productivity and cost-savings, and other related initiatives, which may include decisions to downsize or to transition operating activities from one location to another, and to minimize any disruptions in our workforce that may result from those initiatives;
- our ability to protect our brands and our other intellectual property rights and to defend ourselves against potential intellectual property infringement claims;
- our ability to attract and retain qualified key employees and to manage our workforce successfully;
- material changes in the market value or liquidity of securities that we hold;
- restrictions imposed by our debt obligations;

Events Related to Our Regulatory and Litigation Environment

- liabilities or loss of business resulting from a failure by us, our agents or their subagents to comply with laws and regulations and regulatory or judicial interpretations thereof, including laws and regulations designed to protect consumers, or detect and prevent money laundering, terrorist financing, fraud and other illicit activity;
- increased costs or loss of business due to regulatory initiatives and changes in laws, regulations and industry practices and standards, including changes in interpretations, in the United States and abroad, affecting us, our agents or their subagents, or the banks with which we or our agents maintain bank accounts needed to provide our services, including related to anti-money laundering regulations, anti-fraud measures, our licensing arrangements, customer due diligence, agent and subagent due diligence, registration and monitoring requirements, consumer protection requirements, remittances, and immigration;
- liabilities, increased costs or loss of business and unanticipated developments resulting from governmental investigations and consent agreements with or enforcement actions by regulators, including those associated with the settlement agreements with the United States Department of Justice, certain United States Attorney’s Offices, the United States Federal Trade Commission, the Financial Crimes Enforcement Network of the United States Department of Treasury, and various state attorneys general (the “Joint Settlement Agreements”), and those associated with the January 4, 2018 consent order which resolved a matter with the New York State Department of Financial Services (the “NYDFS Consent Order”);

Table of Contents

- liabilities resulting from litigation, including class-action lawsuits and similar matters, and regulatory enforcement actions, including costs, expenses, settlements and judgments;
- failure to comply with regulations and evolving industry standards regarding consumer privacy and data use and security, including with respect to the General Data Protection Regulation (“GDPR”) approved by the European Union (“EU”);
- failure to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), as well as regulations issued pursuant to it and the actions of the Consumer Financial Protection Bureau (“CFPB”) and similar legislation and regulations enacted by other governmental authorities in the United States and abroad related to consumer protection and derivative transactions;
- effects of unclaimed property laws or their interpretation or the enforcement thereof;
- failure to maintain sufficient amounts or types of regulatory capital or other restrictions on the use of our working capital to meet the changing requirements of our regulators worldwide;
- changes in accounting standards, rules and interpretations or industry standards affecting our business;

Other Events

- catastrophic events; and
- management’s ability to identify and manage these and other risks.

Table of Contents

ITEM 1. BUSINESS

Overview

The Western Union Company (the “Company,” “Western Union,” “we,” “our” or “us”) is a leader in global money movement and payment services, providing people and businesses with fast, reliable and convenient ways to send money and make payments around the world.

The Western Union® brand is globally recognized and represents speed, reliability, trust and convenience. As people move and travel around the world, they are able to use the services of a well-recognized brand to transfer funds. Our Consumer-to-Consumer money transfer service enables people to send money around the world, usually within minutes. As of December 31, 2018, our services were available through a global network of over 550,000 agent locations in more than 200 countries and territories, with more than 90% of those locations outside the United States, and through many Western Union branded websites in a growing number of countries and territories. Each location in our agent network is capable of facilitating a consumer’s use of one or more of our services, with the majority offering a Western Union branded service. As of December 31, 2018, more than 70% of our locations had experienced money transfer activity in the previous 12 months.

Our Business Solutions services facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of this business relates to exchanges of currency at spot rates, which enable customers to make cross-currency payments. In addition, in certain countries, we write foreign currency forward and option contracts for customers to facilitate future payments.

We believe that brand strength, size and reach of our global network, convenience, reliability and value for the price paid have been important to the growth of our business. As we continue to seek to meet the needs of our customers for fast, reliable and convenient global money movement and payment services, with a continued focus on regulatory compliance, we are also working to provide consumers and our business clients with access to an expanding portfolio of payment and other financial services and to expand the ways our services can be accessed.

Our Segments

We manage our business around the consumers and businesses we serve and the types of services we offer. Each of our segments addresses a different combination of customer groups, distribution networks, and services offered. Our segments are Consumer-to-Consumer and Business Solutions.

All businesses and other services that have not been classified in these segments are reported as “Other,” which primarily include our electronic-based and cash-based bill payment services which facilitate payments from consumers to businesses and other organizations. The majority of our cash-based bill payments services are led by one executive, and the majority of our electronic-based bill payments services are led by another executive. The Chief Operating Decision Maker (“CODM”) allocates resources and assesses performance using discrete information for these separate bill payments components, neither of which is material from either a quantitative or qualitative perspective. Our money order and other services, in addition to certain corporate costs such as costs related to strategic initiatives, including for the review and closing of mergers, acquisitions, and divestitures, are also included in “Other.”

The table below presents the components of our consolidated revenue.

Edgar Filing: Western Union CO - Form 10-K

	Year Ended December 31,					
	2018		2017		2016	
Consumer-to-Consumer	80	%	79	%	79	%
Business Solutions	7	%	7	%	7	%
Other	13	%	14	%	14	%
	100	%	100	%	100	%

Table of Contents

No individual country outside the United States accounted for more than 7% of our consolidated revenue for each of the years ended December 31, 2018, 2017 and 2016.

See Part I, Item 1A, Risk Factors, for a discussion of certain risks relating to our foreign operations.

Consumer-to-Consumer Segment

Individual money transfers from one consumer to another are the core of our business, representing 80% of our total consolidated revenues for 2018. A substantial majority of these transfers were cross-border transactions. We view our money transfer service, including our online money transfer transactions conducted and funded through Western Union branded websites and mobile apps (“westernunion.com”), as one interconnected global network where a money transfer can be sent from one location to another, around the world. Although most remittances are sent from one of our agent locations worldwide, in some countries and territories we offer the ability to initiate transactions from a Western Union branded website. The segment includes five geographic regions whose functions are primarily related to generating, managing and maintaining agent relationships and localized marketing activities. We include westernunion.com in our regions. By means of common processes and systems, these regions, including westernunion.com, create an interconnected network for consumer transactions, thereby constituting one global Consumer-to-Consumer money transfer business and one operating segment.

Operations

Our revenues are primarily derived from consideration paid by consumers to transfer money. These revenues vary by transaction based upon channel, send and receive locations, the principal amount sent, whether the money transfer involves different send and receive currencies, the difference between the exchange rate set by us to the consumer and the rate available in the wholesale foreign exchange market, and speed of service, as applicable.

In a typical walk-in money transfer transaction, a consumer goes to one of our agent or subagent locations and provides information specifying, among other things, the name and other identifying information regarding the recipient, and delivers the principal amount of the money transfer and the fee, to the agent or sub-agent. Certain of these processes are streamlined for consumers who participate in our loyalty programs. The sending agent enters the transaction information into our money transfer system and the funds are made available for payment, usually within minutes, in the country specified by the consumer. In some jurisdictions, the agent collects the principal and fees after the presentation of our written disclosure that generally identifies the exchange rate and all fees and charges associated with the transaction and the consumer has agreed to the transaction, as described in the disclosure. The agent then provides the consumer with a unique identifying number assigned by our system, which the consumer must communicate in order for the recipient to obtain the principal. The recipient generally enters an agent location in the designated receiving country or territory, presents the unique identifying number and identification, where applicable, and is paid the transferred amount by our agent based on the information in our system. Recipients generally do not pay a fee. However, in limited circumstances, a tax may be imposed by the local government on the receipt of the money transfer, or a fee may be charged by the recipient’s institution related to the use of an account. We determine the fee paid by the sender, which generally is based on the principal amount of the transaction, the send and receive country or territory, and speed of service.

We generally pay our agents a commission based on a percentage of revenue. A commission is usually paid to both the agent that initiated the transaction, the “send agent,” and the agent that paid the transaction, the “receive agent.” For most agents, the costs of providing the physical infrastructure and staff are typically covered by the agent’s primary business (e.g., postal services, banking, check cashing, travel and retail businesses), making the economics of being a Western Union agent attractive. Western Union’s global reach and large consumer base allow us to attract agents we believe to be well-positioned to deliver our services.

No individual country outside the United States accounted for greater than 8% of this segment's revenue during all periods presented.

7

Table of Contents

Services

We offer money transfer services in more than 200 countries and territories, with a number of options for sending funds that provide consumers convenience and choice, through both our walk-in and online money transfer channels.

- Walk-in money transfer. The significant majority of our remittances constitute walk-in transactions in which payment is collected by one of our agents and is available for pick-up at another agent location, usually within minutes. We offer a variety of methods for consumers to initiate transactions. In select markets, consumers may stage a transaction either online or using a mobile device and subsequently pay for the transaction at one of our agent locations. Additionally, in certain agent locations, consumers can enter a transaction at a self-service kiosk and subsequently pay for the transaction at the counter of the location.
- Online money transfer. In many countries and territories, consumers can initiate a money transfer from a Western Union branded website. Additionally, in certain countries and territories, consumers can initiate a Western Union money transfer through their bank's online banking services.

Consumers can fund a transaction in a variety of ways, in addition to cash. For example, at certain of our agent locations, consumers can fund a transaction using a debit card, and, where available, consumers can fund a money transfer from an account and through an account using an automated teller machine ("ATM"). In our online money transfer channel, consumers can generally fund transactions using a credit card, debit card, electronic funds transfer processed through the automated clearing house ("ACH") payment system or similar system outside the United States, or other bank account-based payment.

We also provide several options for the receipt of funds. At our retail agent locations, consumers generally receive payments in cash. However, in certain countries, our retail agents may also issue a money order or check or provide payout through an ATM. Funds can also be directed to a bank account in many countries, by either the sender or receiver, and in more limited circumstances, can be directed to either a mobile wallet or a stored-value card.

Distribution and Marketing Channels

We offer our Consumer-to-Consumer service to consumers around the world primarily through our global network of third-party agents and sub-agents in most countries and territories, with approximately 90% of our agent locations being located outside the United States. Our agents facilitate the global distribution and convenience associated with our brands, which in turn helps create demand for our services, and helps us to recruit and retain agents. Western Union agents include large networks such as post offices, banks and retailers, and other established organizations as well as smaller independent retail locations which typically provide other consumer products and services. Many of our agents have multiple locations. Our agents know the markets that they serve and leverage this local knowledge to develop business plans for their markets. In some regions, our agents contribute financial resources to, or otherwise support, our efforts to market our services. Many agents operate in locations that are open outside of traditional banking hours, for example on nights and weekends. Our top 40 agents globally have been with us for more than 20 years, on average, and in 2018, these long-standing agents were involved in transactions that generated approximately 60% of our Consumer-to-Consumer revenue. No individual agent accounted for greater than 10% of the segment's revenue during all periods presented.

We provide our third-party agents with access to our multi-currency, real-time money transfer processing systems which are used to originate and pay money transfers. Our systems and processes enable our agents to pay money transfers in nearly 130 currencies worldwide. Certain of our agents can pay in multiple currencies at a single location. Our agents provide the point of sale presence and facilitate the interface with Western Union required to complete the transfers. Western Union provides central operating functions such as transaction processing, settlement, marketing support and consumer relationship management to our agents, as well as compliance training and related support. Some of our agents outside the United States manage subagents. We refer to these agents as superagents. Although the

subagents are under contract with these superagents (and not with Western Union directly), the subagent locations typically have access to similar technology and services as our other agent locations. Our international agents often customize services as appropriate for their geographic markets. In some markets, individual agents are independently offering specific services

8

Table of Contents

such as stored-value card or account payout options. While we typically perform services under the Western Union brand, in certain geographic regions, we operate under other brands targeted to the local market.

We market our services to consumers in a number of ways, directly and indirectly through our agents and their subagents, leveraging promotional activities, grassroots, direct-to-consumer communications and digital advertising. Our marketing strategy includes loyalty programs such as “My WUSM” and “Gold Card” which are available in certain countries and territories. These programs offer consumers faster service at the point-of-sale and the opportunity to earn points on eligible products and channels (including westernunion.com and mobile apps) that can be redeemed for rewards, such as reduced transaction fees; however, such redemption activity has been insignificant to the results of our operations.

Industry Trends

Trends in the cross-border money transfer business tend to correlate to migration trends, global economic opportunity and related employment levels worldwide. Another significant trend impacting the money transfer industry is increasing regulation. Regulations in the United States and elsewhere focus, in part, on anti-money laundering, anti-terrorist financing and consumer protection. Regulations require money transfer providers, banks and other financial institutions to develop systems to prevent, detect, monitor and report certain transactions. Such regulations increase the costs to provide money transfer services and can make it more difficult or less desirable for consumers and businesses to use money transfer services, either of which could have an adverse effect on money transfer providers’ revenues and operating income. For further discussion of the regulatory impact on our business, see the “Regulation” discussion in this section, Part I, Item 1A, Risk Factors, and the “Enhanced Regulatory Compliance” section in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations. Additionally, our ability to enter into or maintain exclusive arrangements with our agents has been and may continue to be challenged by both regulators and certain of our current and prospective agents. Further, we are seeing increased competition from, and increased market acceptance of, electronic, mobile, and Internet-based money transfer services as well as digital currencies.

Competition

We face robust competition in the highly-fragmented Consumer-to-Consumer money transfer industry. We compete with a variety of remittance providers, including:

- Global money transfer providers - Global money transfer providers allow consumers to send money to a wide variety of locations, in both their home countries and abroad.
- Regional money transfer providers - Regional money transfer providers, or “niche” providers, provide the same services as global money transfer providers, but focus on a smaller group of geographic corridors or services within one region, such as North America to the Caribbean, Central or South America, or Western Europe to North Africa.
- Electronic channels - Online money transfer service providers, including certain electronic payment providers, allow consumers to send and receive money electronically using the Internet or through mobile devices. Electronic channels also include digital wallets, digital currencies, and social media and other predominantly communication or commerce-oriented platforms that offer money transfer services.
- Banks, postbanks, and post offices - Banks, postbanks, and post offices of all sizes compete with us in a number of ways, including money transfers, bank transfer and wire services, payment instrument issuances, and card-based services.
- Informal networks - Informal networks enable people to transfer funds without formal mechanisms and often without compliance with government reporting requirements. We believe that such networks comprise a significant share of the market.

Alternative channels - Alternative channels for sending and receiving money include mail and commercial courier services, and card-based options, such as ATM cards and stored-value cards.

Table of Contents

We believe the most significant competitive factors in Consumer-to-Consumer remittances relate to the overall consumer value proposition, including brand recognition, trust, reliability, consumer experience, price, speed of delivery, distribution network, variety of send and receive payment methods, and channel options.

Business Solutions Segment

In our Business Solutions segment, which represented 7% of our total consolidated revenues for 2018, we facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations and individuals.

Operations

The significant majority of our revenue in this segment is derived from foreign exchange resulting from the difference between the exchange rate set by us to the customer and the rate available in the wholesale foreign exchange market. Customers may make an electronic or wire transfer or remit a check in order to initiate a transaction. Our Internet services are provided through our own websites and also, from time to time, in conjunction with others. The majority of the segment's revenue was generated outside the United States during all periods presented.

Services

Business Solutions payment transactions are conducted through various channels including the phone and via the Internet. Payments are made predominately through electronic transfers, but in some situations, checks are remitted. The majority of Business Solutions' business relates to exchanges of currency at spot rates, which enable customers to make cross-currency payments. For certain industries such as educational institutions, financial institutions, and law firms, we provide tailored payment solutions. In addition, in certain countries, we write foreign currency forward and option contracts for customers to facilitate future payments, which usually generate higher revenue per transaction than spot payments.

Distribution and Marketing Channels

Our Business Solutions services are offered primarily over the phone, through third-party channels, and via the Internet. Our Internet services are marketed through our own websites as well as, from time to time, co-branding arrangements with third-party websites.

Our customer relationships are a core component of our business payments services. No individual customer accounted for greater than 10% of this segment's revenue.

Industry Trends

The business-to-business payments industry has evolved rapidly with technological innovations that have created new competitors and methods of processing payments from businesses to other businesses. The various products and services within the business-to-business payments industry are in varying stages of development. Business-to-business payments, especially cross-border, cross-currency transactions, are also dependent on global trade trends and regulations. Increased anti-money laundering, anti-terrorist financing, consumer protection regulations and compliance requirements, and increased regulations and compliance requirements applicable to the offering of derivatives, are impacting the business-to-business payments industry. We believe these increases in competition and regulatory costs are likely to continue in this segment.

Competition

Our Business Solutions segment competes with a diverse set of service providers offering payment services and foreign exchange risk management solutions, including financial institutions, other non-bank competitors, and electronic payment providers. We believe the most significant competitive factors in this segment relate to recurring relationships founded on customer service and expertise in payments and foreign exchange, customized solutions for specific industries

Table of Contents

and clients, convenience and speed of payments network, availability of derivative products, variety of inbound and outbound payment methods, brand recognition and price.

Other

Our remaining businesses and services, which primarily include our electronic-based and cash-based bill payment services and money order services, are grouped in “Other,” which also includes certain corporate costs such as costs related to strategic initiatives, including for the review and closing of mergers, acquisitions, and divestitures. Other represented 13% of our total consolidated revenues for 2018.

Our electronic-based and cash-based bill payment services provide fast and convenient options to make one-time or recurring payments from consumers to businesses and other organizations, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies. We believe our business customers who receive payments through our services benefit from their relationship with Western Union as it provides them with real-time or near real-time posting of their customers’ payments. In many circumstances, our relationships with business customers also provide them with an additional source of income and reduce their expenses for handling of payments.

Consumers use our money orders for making purchases, paying bills, and as an alternative to checks. We derive investment income from interest generated on our money order settlement assets, which are primarily held in United States tax exempt state and municipal debt securities.

Other revenue is derived primarily from transaction fees paid by consumers and billers. In our electronic-based bill payments services, which primarily include our Speedpay® service, consumers may make an electronic payment on the Internet or over the phone using their credit or debit card, or through ACH. Our Internet services are provided through our own websites or through third-party websites for which we act as the service provider. In our cash-based bill payments services, consumers may make a cash payment at an agent or Company-owned location. The substantial majority of our electronic-based bill payments revenue was generated in the United States during all periods presented, and the majority of our cash-based bill payments revenue was generated in Argentina during all periods presented, with the remainder primarily generated in the United States.

Intellectual Property

The Western Union® logos, trademarks, service marks and trade dress are registered and/or used worldwide and are material to our Company. The WU® service mark and logos are also registered and used in many countries around the world. We offer money transfer services under the Western Union, Orlandi ValutaSM and Vigo® brands. We also provide various payment and other services such as Western Union Business Solutions, Speedpay, Pago Fácil, Western Union Payments, Quick Collect, Quick Pay, Pay@WU, Quick Cash, and Convenience Pay. Our operating results have allowed us to invest significantly each year to support our brands, and in some regions, our agents have also contributed financial resources to assist with marketing our services.

Risk Management

Our Company has a credit risk management department that evaluates and monitors our credit and fraud risks. We are exposed to credit risk related to receivable balances from agents in the money transfer, walk-in bill payment and money order settlement process. We also are exposed to credit risk directly from consumer and business transactions, particularly where transactions are originated through means other than cash, such as those initiated through electronic channels, and therefore are subject to “chargebacks,” insufficient funds, or other collection impediments, such as fraud, which are anticipated to increase as electronic channels become a greater proportion of our business. Our credit risk

management team monitors fraud risks jointly with our information security and global compliance departments, performs credit reviews before agent signings, and conducts periodic analyses of agents and certain other parties that we transact with directly.

We are exposed to additional credit risk in our Business Solutions business relating to: (a) derivatives written by us to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared

Table of Contents

funds from the sending customers. For the derivatives, the duration of these contracts at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. For those receivables where we have offered trade credit, collection ordinarily occurs within a few days. To mitigate risk associated with potential customer defaults, we perform credit reviews on an ongoing basis, and, for our derivatives, we may require certain customers to post or increase collateral.

To manage our exposures to credit risk with respect to investment securities, money market fund investments, derivatives and other credit risk exposures resulting from our relationships with banks and financial institutions, we regularly review investment concentrations, trading levels, credit spreads and credit ratings, and we attempt to diversify our investments among global financial institutions.

A key component of the Western Union business model is our ability to manage financial risk associated with conducting transactions worldwide. We currently settle with the majority of our agents in United States dollars, euros, or Mexican pesos, requiring those agents to obtain local currency to pay recipients, and we generally do not rely on international currency markets to obtain and pay illiquid currencies. However, in certain circumstances, we settle in other currencies. The foreign currency exposure that does exist is limited by the fact that the majority of money transfer transactions are paid by the next day after they are initiated, and agent settlements occur within a few days in most instances. We also utilize foreign currency forward contracts to mitigate the risks associated with currency fluctuations and to provide predictability of future cash flows. We have additional foreign exchange risk and associated foreign exchange risk management due to the nature of our Business Solutions business. The majority of this business' revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. Business Solutions aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties.

Our financial results may fluctuate due to changes in interest rates. We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering the duration of the individual positions. We manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and improve returns. Our exposure to interest rates can be modified by changing the mix of our interest-bearing assets as well as adjusting the mix of fixed versus floating rate debt. The latter is accomplished primarily through the use of interest rate swaps and the decision regarding terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to vary the percentage of fixed to floating rate debt, subject to market conditions.

Regulation

Our business is subject to a wide range of laws and regulations enacted by the United States federal government, each of the states, many localities and many other countries and jurisdictions, including the European Union. These include increasingly strict legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. These also include laws and regulations regarding financial services, consumer disclosure and consumer protection, currency controls, money transfer and payment instrument licensing, payment services, credit and debit cards, electronic payments, foreign exchange hedging services and the sale of spot, forward and option currency contracts, unclaimed property, the regulation of competition, consumer privacy, data protection and information security. Failure by Western Union, our agents, or their subagents (agents and subagents are third parties, over whom Western Union has limited legal and practical control), and certain of our service providers to comply with any of these requirements or their interpretation could result in regulatory action, the imposition of civil and criminal penalties, including fines and restrictions on our ability to offer services, the suspension or revocation of a license or registration required to provide money transfer services and/or payment

services or foreign exchange products, the limitation, suspension or termination of services, changes to our business model, loss of consumer confidence, private class action litigation, and/or the seizure of our assets. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, “Commitments and Contingencies.”

Table of Contents

We have developed and continue to enhance our global compliance programs, including our anti-money laundering program, comprised of policies, procedures, systems and internal controls to monitor and to address various legal and regulatory requirements. In addition, we continue to adapt our business practices and strategies to help us comply with current and evolving legal standards and industry practices, including heightened regulatory focus on compliance with anti-money laundering or fraud prevention requirements. As of December 31, 2018, these programs included dedicated compliance personnel, training and monitoring programs, suspicious activity reporting, regulatory outreach and education, and support and guidance to our agent network on regulatory compliance. Our money transfer and payment service networks operate through third-party agents in most countries, and, therefore, there are limitations on our legal and practical ability to completely control those agents' compliance activities. In 2018, we spent approximately \$200 million on our compliance and regulatory programs.

Money Transfer and Payment Instrument Licensing and Regulation

Most of our services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act in the United States, as amended (collectively, the "BSA"), and similar laws and regulations in the U.S. and abroad. The BSA, among other things, requires money transfer companies and the issuers and sellers of money orders to develop and implement risk-based anti-money laundering programs, to report large cash transactions and suspicious activity, and in some cases, to collect and maintain information about consumers who use their services and maintain other transaction records. In addition to United States federal laws and regulations, many other countries and states impose similar and, in some cases, more stringent requirements. These requirements may also apply to our agents and their subagents. In addition, the United States Department of the Treasury has interpreted the BSA to require money transfer companies to conduct due diligence into and risk-based monitoring of their agents and subagents inside and outside the United States, and certain states also require money transfer companies to conduct similar due diligence reviews. Compliance with anti-money laundering laws and regulations continues to be a focus of regulatory attention, with recent settlement agreements being reached with Western Union, other money transfer providers and several large financial institutions. For example, in early 2017, we entered into the Joint Settlement Agreements, and in early 2018, we agreed to the NYDFS Consent Order, as further discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 6, "Commitments and Contingencies."

Economic and trade sanctions programs administered by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and by certain foreign jurisdictions prohibit or restrict transactions to or from (or dealings with or involving) certain countries, regions, governments, and in certain circumstances, specified foreign nationals, as well as with certain individuals and entities such as narcotics traffickers, terrorists and terrorist organizations. We provide limited money transfer and payments services to parties in Cuba, Syria, and the Crimea region of Ukraine in accordance with United States laws authorizing such services and pursuant to and as authorized by advisory opinions of, or specific or general licenses issued by, OFAC.

In the United States, almost all states license certain of our services and many exercise authority over the operations of certain aspects of our business and, as part of this authority, regularly examine us. Many states require us to invest the principal of outstanding money orders, money transfers, or payments in highly-rated, investment grade securities, and our use of such investments is restricted to satisfying outstanding settlement obligations. We regularly monitor credit risk and attempt to mitigate our exposure by investing in highly-rated securities in compliance with these regulations. The substantial majority of our investment securities, classified within "Settlement assets" in the Consolidated Balance Sheets, are held in order to comply with state licensing requirements in the United States and are required to have credit ratings of "A-" or better from a major credit rating agency.

These licensing laws also cover matters such as government approval of controlling shareholders and senior management of our licensed entities, regulatory approval of agents and in some instances their locations, consumer disclosures and the filing of periodic reports by the licensee, and require the licensee to demonstrate and maintain

certain net worth levels. Many states also require money transfer providers and their agents to comply with federal and/or state anti-money laundering laws and regulations.

Outside the United States, our money transfer business is subject to some form of regulation in almost all of the countries and territories in which we offer those services. These laws and regulations may include limitations on what

Table of Contents

types of entities may offer money transfer services, agent registration requirements, limitations on the amount of principal that can be sent into or out of a country, limitations on the number of money transfers that may be sent or received by a consumer and controls on the rates of exchange between currencies. They also include laws and regulations intended to detect and prevent money laundering or terrorist financing, including obligations to collect and maintain information about consumers, recordkeeping, reporting and due diligence, and supervision of agents and subagents similar to and in some cases exceeding those required under the BSA. In most countries, either we or our agents are required to obtain licenses or to register with a government authority in order to offer money transfer services.

The Payment Services Directive (“PSD”) in the EU and similar laws in other jurisdictions have imposed rules on payment service providers like Western Union. In particular, under the PSD, Western Union is responsible for the regulatory compliance of our agents and their subagents who are engaged by our payments institution subsidiary. Thus, the costs to monitor our agents and the risk of adverse regulatory action against us because of the actions of our agents in those areas have increased. The majority of our EU business is managed through our Irish payment institution subsidiary, which is regulated by the Central Bank of Ireland. Under the PSD and similar laws in certain other jurisdictions, we are subject to requirements such as investment safeguarding rules and periodic examinations similar to those we are subject to in the United States. These rules have resulted in increased compliance costs. Additional countries have adopted or may adopt legislation similar to these laws. The PSD, as well as legislation in other countries, has also allowed an increased number of non-bank entities to become money transfer agents, allowing Western Union and other money transfer providers to expand their agent networks in these countries but also resulting in increased competition.

The PSD, which has been in effect since 2009, was amended by a revised Payment Services Directive (“PSD2”). PSD2 became EU law in January 2016 and required EU member states to transpose it into their national laws by January 2018. Among other changes, PSD2 has increased the supervisory powers granted to member states with respect to activities performed by us and our agent network within their jurisdictions. PSD2 aims to drive increased competition, innovation and transparency across the European payments market, while enhancing consumer protection and the security of Internet payments and account access. At its core is a requirement for account service providers to grant third party providers access to a customer’s online account and payment services in a regulated and secure way. PSD2 also introduces new customer identity verification and authentication measures, increases our agent monitoring responsibilities, may limit the types, nature and amount of charges we may assess, increases customer refund rights, and increases our information security and incident reporting responsibilities. The European Banking Authority has issued guidelines and regulatory technical standards that prescriptively set out these increased responsibilities. PSD2 brings third-party payment initiation and third-party account information access services within its scope for the first time. A payment initiation service is an online service which permits third-party providers to access users’ payment accounts to initiate the transfer of funds on their behalf as an alternative to paying online using a credit card or debit card. An account information service is an online service which enables a third-party provider to provide consolidated information on payment accounts held by a payment service user with various payment service providers. PSD2 will facilitate each of these services while seeking to ensure security for users. In addition to increasing our compliance costs, PSD2 increases the regulatory supervision and enforcement associated with non-compliance with it and the associated European Banking Authority guidelines and regulatory technical standards. PSD2 may also result in increased competition arising from other service providers utilizing the enhanced payment initiation and account information access provisions or by our failure to utilize those provisions to innovate our own service offerings.

Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increasing efforts to ensure compliance, including as a result of PSD2 and the 4th and 5th Anti-Money Laundering Directives in the EU. As a result, we continue to incur significant compliance costs related to customer, agent, and subagent due diligence, verification, transaction approval, disclosure, and reporting requirements, including requirements to report

transaction data to a greater extent or frequency than previously required, along with other requirements that have had and will continue to have a negative impact on our financial condition and results of operations.

Government agencies both inside and outside the United States may impose new or additional rules on money transfers affecting us or our agents or their subagents, including regulations that:

- prohibit, restrict, and/or impose taxes or fees on money transfer transactions in, to or from certain countries or with certain governments, individuals and entities;

Table of Contents

- impose additional customer identification and customer, agent, and subagent due diligence requirements;
- impose additional reporting or recordkeeping requirements, or require enhanced transaction monitoring;
- limit the types of entities capable of providing money transfer services, impose additional licensing or registration requirements on us, our agents, or their subagents, or impose additional requirements on us with regard to selection or oversight of our agents or their subagents;
- impose minimum capital or other financial requirements on us or our agents and their subagents;
- limit or restrict the revenue which may be generated from money transfers, including transaction fees and revenue derived from foreign exchange;
- require enhanced disclosures to our money transfer customers;
- require the principal amount of money transfers originated in a country to be invested in that country or held in trust until they are paid;
- limit the number or principal amount of money transfers which may be sent to or from a jurisdiction, whether by an individual, through one agent or in aggregate;
 - restrict or limit our ability to process transactions using centralized databases, for example, by requiring that transactions be processed using a database maintained in a particular country or region; and
 - prohibit or limit exclusive arrangements with our agents and subagents.

Consumer Protection Regulations

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) created the United States Consumer Financial Protection Bureau (the “CFPB”) whose purpose is to implement, examine for compliance with and enforce federal consumer protection laws governing financial products and services, including money transfer services. The CFPB has created additional regulatory obligations for us and has the authority to examine and supervise us and our larger competitors, including for matters related to unfair, deceptive, or abusive acts and practices. The CFPB’s regulations implementing the remittance provisions of the Dodd-Frank Act have affected our business in a variety of areas. These include: a requirement to provide almost all consumers sending funds internationally from the United States enhanced, written, pre-transaction disclosures, including the disclosure of fees, foreign exchange rates and taxes, an obligation to resolve various errors, including certain errors that may be outside our control, and an obligation at a consumer’s request to cancel transactions that have not been completed. We have modified certain of our systems, business practices, service offerings or procedures to comply with these regulations. We also face liability for the failure of our money transfer agents to comply with the rules and have implemented and are continuing to implement additional policies, procedures, and oversight measures designed to foster compliance by our agents. The extent of our, and our agents’ implementation of these policies, procedures, and measures may be considered by the CFPB in any action or proceeding against us for noncompliance with the rules by our agents. The CFPB has also implemented a direct portal for gathering information regarding consumer complaints in the money transfer area. The CFPB uses the information collected to help improve its supervision of companies, enforcement of federal consumer financial laws and writing of rules and regulations. This effort may lead to additional regulatory scrutiny of our business.

In addition, various jurisdictions in the United States and outside the United States have consumer protection laws and regulations, and numerous agencies are tasked with enforcing those laws and regulations. Consumer protection principles continue to evolve, and some countries may enact new consumer protection laws and regulations or enhance existing consumer protection laws or regulations. Increasingly, agencies tasked with enforcing consumer protection laws or regulations are communicating more frequently and coordinating efforts. For instance, the International Consumer Protection and Enforcement Network (ICPEN) is an organization composed of consumer protection authorities from over

Table of Contents

60 countries that provides a forum for developing and maintaining regular contact between consumer protection agencies and focusing on consumer protection concerns. By encouraging cooperation between agencies, ICPEN aims to enable its members to have a greater impact with their consumer protection laws and regulations. As the scope of consumer protection laws and regulations change, we may experience increased costs to comply and other adverse effects to our business.

Derivatives Regulations

Rules adopted under the Dodd-Frank Act by the Commodity Futures Trading Commission (the “CFTC”), as well as the provisions of the European Market Infrastructure Regulation and its technical standards, which are directly applicable in the member states of the European Union, have subjected most of our foreign exchange hedging transactions, including certain intercompany hedging transactions, certain of the corporate interest rate hedging transactions we may enter into in the future, and certain of the foreign exchange derivative contracts we offer as part of our Business Solutions segment, to reporting, recordkeeping, and other requirements. Additionally, certain of the corporate interest rate hedging transactions and foreign exchange derivatives transactions we may enter into in the future may be subject to centralized clearing requirements or may be subject to margin requirements in the United States and European Union. Other jurisdictions outside of the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above. Derivatives regulations have added costs to our business and any additional requirements, such as future registration requirements and increased regulation of derivative contracts, will result in additional costs or impact the way we conduct our hedging activities as well as impact how we conduct our business within our Business Solutions segment. In particular, the CFTC has issued a proposed rule that, if adopted as proposed, would increase the likelihood that we will have to register one or more of our subsidiaries with the CFTC as a swap dealer. Swap dealers are subject to a comprehensive regulatory framework and compliance with this framework will lead to additional costs, including costs relating to regulatory capital and margin requirements, and may impact how we conduct our hedging activities and derivatives business with customers. We continue to consider the impact the proposed rule, if adopted, would have on our hedging activities and operations. For further discussion of these risks, see Part I, Item 1A, Risk Factors - “The Dodd-Frank Act, as well as the regulations required by that Act and the actions of the Consumer Financial Protection Bureau and similar legislation and regulations enacted by other government authorities, could adversely affect us and the scope of our activities, and could adversely affect our financial condition, results of operations, and cash flows.” Our implementation of these requirements has resulted, and will continue to result, in additional costs to our business.

Additionally, the regulatory regimes for derivatives in the United States and European Union, such as under the Dodd-Frank Act and the European Markets in Financial Instruments Directive known as “MiFID II,” are continuing to evolve and changes to such regimes, our designation under such regimes, or the implementation of new rules under such regimes, such as future registration requirements and increased regulation of derivative contracts, may result in additional costs to our business. Other jurisdictions outside the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above and these will result in greater costs to us as well. Furthermore, our failure to implement these requirements correctly could result in fines and other sanctions, as well as necessitate a temporary or permanent cessation to some or all of our derivative related activities. Any such fines, sanctions or limitations on our business could adversely affect our operations and financial results.

Unclaimed Property Regulations

Our Company is subject to unclaimed property laws in the United States and in certain other countries, and our agents are subject to unclaimed property laws in some jurisdictions. These laws require us or our agents, as applicable, to turn over to certain government authorities the property of others held by our Company that has been unclaimed for a specified period of time, such as unpaid money transfers and money orders. We hold property subject to unclaimed property laws and we have an ongoing program designed to help us comply with these laws. We are subject to audits

with regard to our escheatment practices. For further discussion of the risks associated with unclaimed property, see risk factor “We are subject to unclaimed property laws, and differences between the amounts we have accrued for unclaimed property and amounts that are claimed by a state or foreign jurisdiction could have a significant impact on our results of operations and cash flows” in Part I, Item 1A, Risk Factors.

Table of Contents

Privacy Regulations and Information Security Standards

We must collect, transfer, disclose, use and store personal information in order to provide our services. These activities are subject to information security, data privacy, data protection, data breach and related laws and regulations in the United States, the EU, and many other countries in which we provide services. These laws and requirements continue to evolve and may become increasingly difficult to comply with.

In the United States, federal data privacy laws such as the federal Gramm-Leach-Bliley Act and various state laws, such as data privacy and breach laws, apply to a broad range of financial institutions including money transfer providers like Western Union, and to companies that provide services to or on behalf of those institutions. The United States Federal Trade Commission (“FTC”), which has jurisdiction over companies such as Western Union, has brought numerous enforcement actions, resulting in multi-year settlements, against companies whose privacy or data security practices allegedly violated the law. The FTC, CFPB, and some states continue to actively investigate companies’ privacy practices including those related to online and mobile applications. Most state laws require notification to be provided to affected individuals, state authorities and consumer reporting agencies, in the event of a breach of certain types of personal data contained in computer databases and in some cases physical documents. Such notification requirements may be subject to various factors, including the level of encryption, the data elements involved in the incident, and the potential harm to consumers. In addition, the Company is also subject to United States federal reporting requirements in connection with some such incidents.

Increasingly, data protection laws of countries outside of the United States are having a significant impact on our operations and the manner in which we provide our services. The EU has been particularly active in regulating the collection, transfer, disclosure, use, storage and other processing of personal information, and the EU’s approach is frequently followed by other jurisdictions. The trend in this area is one of increasingly more stringent regulation, particularly with the EU’s GDPR which took effect on May 25, 2018. The GDPR imposes additional obligations and risks upon our businesses, including the risk of substantially increased penalties for non-compliance. We have incurred and we expect to continue to incur expenses to meet the new obligations of the GDPR, which have required us to make changes to our business operations. The GDPR, and other national and provincial laws throughout the world are frequently not uniform, and cover one or more of the following objectives: regulating the collection, transfer (including in some cases, the transfer outside of the country or region of collection), processing, storage, use and disclosure of personal information; requiring notice to individuals of the processing of their personal information and our privacy practices; giving individuals certain access, correction and other rights with respect to their personal information; and restricting the use or disclosure of personal information for secondary purposes such as marketing. Under certain circumstances, some of these laws require us to provide notification to affected individuals, data protection authorities and/or other regulators in the event of a data breach.

The pending e-Privacy Regulation in the EU, which will replace the current e-Privacy Directive, will introduce a new privacy legal framework for electronic communications including direct marketing communications and the use of cookies and tracking technologies. The new regulation likely will contain penalty provisions that could result in significant costs for non-compliance.

An emerging trend is the increase in data localization laws which either require that personal information be hosted on local servers or restrict the transfer of personal information outside national borders. These laws present operational and technology challenges that can require companies to make significant changes to the management of personal information, and can potentially increase our costs and impact our ability to process personal information.

Data privacy regulations, laws and industry standards also impose requirements for safeguarding personal information. Western Union seeks to maintain and upgrade its systems and processes to protect the security of our computer systems, software, networks and other technology assets to help protect against the risks presented by

hackers, nation-states and other threat actors. For further discussion of these risks, see Part I, Item 1A, Risk Factors - “Breaches of our information security safeguards could adversely affect our ability to operate and could damage our reputation and adversely affect our business, financial condition, results of operations, and cash flows.”

Table of Contents

In connection with regulatory requirements to assist in the prevention of money laundering and terrorist financing and pursuant to legal obligations and authorizations, Western Union makes information available to certain United States federal, state, and foreign government agencies when required by law. In recent years, Western Union has experienced an increasing number of data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals - the prevention of money laundering, terrorist financing and identity theft and the protection of the individual's right to privacy - may conflict, and the law in these areas is not consistent or settled. The legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose Western Union to increased program costs, liability and reputational damage.

For further discussion of risks related to current and proposed data privacy and security laws and regulations, see Part I, Item 1A, Risk Factors – “Current and proposed regulation addressing consumer privacy and data use and security could increase our costs of operations, which could adversely affect our operations, results of operations and financial condition.”

Banking Regulations

We have subsidiaries that operate under banking licenses granted by the Austrian Financial Market Authority and the Brazilian Central Bank. We are also subject to regulation, examination and supervision by the New York State Department of Financial Services (“NYDFS”), which has regulatory authority over our subsidiary that holds our Austrian banking license. Further, an Agreement of Supervision with the NYDFS imposes various regulatory requirements including operational limitations, capital requirements, affiliate transaction limitations, and notice and reporting requirements on this entity and its Austrian subsidiary. However, because this entity and its Austrian subsidiary do not exercise banking powers in the United States, we are not subject to the Bank Holding Company Act in the United States.

Other

Some of our services are subject to card association rules and regulations. For example, an independent standards-setting organization, the Payment Card Industry (“PCI”) Security Standards Council (including American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc. International) developed a set of comprehensive requirements concerning payment card account security through the transaction process, called the Payment Card Industry Data Security Standard (“PCI DSS”). All merchants and service providers that store, process and transmit payment card data are required to comply with PCI DSS as a condition to accepting credit cards. We are subject to annual reviews to ensure compliance with PCI regulations worldwide and are subject to fines if we are found to be non-compliant.

Employees and Labor

As of December 31, 2018, our businesses employed approximately 12,000 employees, of which approximately 2,400 employees are located inside the United States.

Available Information

The Western Union Company is a Delaware corporation and its principal executive offices are located at 7001 East Belleview Avenue, Denver, CO, 80237, telephone (866) 405 5012. The Company's Annual Report on Form 10 K, quarterly reports on Form 10 Q, current reports on Form 8 K, and amendments to those reports are available free of

charge through the “Investor Relations” portion of the Company’s website, www.westernunion.com, as soon as reasonably practical after they are filed with the Securities and Exchange Commission (“SEC”). The SEC maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information filed electronically with the SEC by the Company.

Table of Contents

Executive Officers of the Registrant

As of February 21, 2019, our executive officers consist of the individuals listed below: