

PaymentsEd FORUM

Your source for payments education

The Explosion of the Payouts Economy

Understanding the Challenges and Options for Processing Global Payouts

transpay 

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Key Takeaways

- ✓ What is the “GOAL” of your payouts
- ✓ The challenges faced when making payouts
- ✓ Methods for payouts – pros and cons of each

The **GOAL** is Simple

To make payments as quickly and cost effectively as possible anywhere in the world...for both *your company* and the *recipient*.

Global Digital Economy

- The internet has changed who and where you do business with customers and partners. However, only one side of the equation has matured at the speed that's required.
- For Example, a company takes in \$1B in payment acceptance, but has to pay out \$900M of that to people in over 200 countries around the world.

Everyone is focused on enabling collection across borders, but less invested on payouts.



TOP **PAYOUT** CHALLENGES:

Excessive and Hidden Costs

- ✓ High transfer fees
- ✓ Hidden interbank and correspondent banking fees
- ✓ Exposure to volatile/market risk, FX rates and hidden mark-ups
- ✓ High landing, withdrawal, activation and maintenance fees for recipients

TOP PAYOUT CHALLENGES:

Speed & Transparency

- ✓ Undefined delivery service levels (i.e. transfer times can take days or weeks, depending on payout method and market)
- ✓ Lack of visibility into transaction lifecycle (i.e. status of transaction)
- ✓ Involvement of multiple parties during transaction process can further slow or limit transaction settlements

TOP **PAYOUT** CHALLENGES:

Compliance and Regulatory

- ✓ Different banking requirements across countries and financial institutions
- ✓ Convoluted regulatory environment
- ✓ Financing regulations and monitoring suspicious activity
- ✓ Fraud losses and reputational damage

TOP PAYOUT CHALLENGES:

Global Reach

- ✓ Multiple providers to get global coverage
- ✓ Multiple payout methods may be needed
 - ✓ Payout methods and preferences vary by country
- ✓ Few companies offer cash payout options, an extremely valuable service for cash-driven markets

How Are Businesses Processing Global Payments?



International Wire Transfers



International payment messages delivered from bank-to-bank through a correspondent bank network, the most famous being the SWIFT Wire Network.

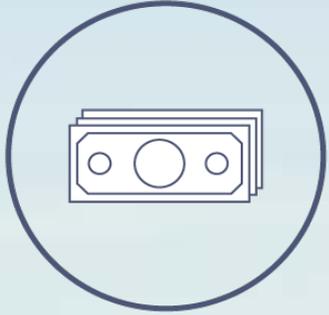
Pros

- The most widely used global financial payout and pay-in messaging system
- SWIFT enables the world's correspondent banking networks
- Various compliance and security measures to safeguard transactions

Cons

- Based on bilateral correspondent framework
- Various hidden and interbank fees and surprise charges
- Lack of transaction transparency
- Payments can take days to weeks
- Unpredictable service levels
- Different bank requirements and regulatory laws can lead to delayed or lost payments

Cash Transfer Services



International cash transfer services for sending and receiving payments at cash agent locations.

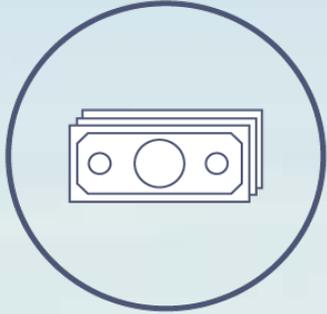
Pros

- Useful for pay-ins and payouts to cash-driven emerging markets, where banks and credit cards are not widely used.
- Funds are available to recipients immediately

Cons

- High transaction fees for sender
- High FX markups
- High incidences of fraudulent activity
- Transaction transparency can be limited

Direct to Bank Global ACH



International direct bank transfers that do not leverage the Wire/Swift networks (global ACH)

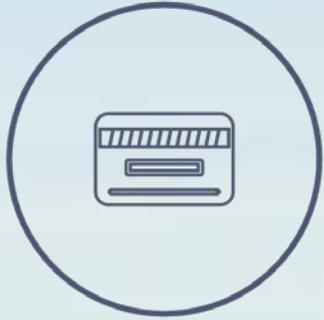
Pros

- Very low cost vs Wire, Swift or card based payouts
- Quick funding - Funds are available to recipients typically in 1-2 business days
- No landing fees or hidden costs
- Money is deposited in their local bank account, in their local currency

Cons

- Not all countries have high bank account penetration
- Thousands of banks around the world to connect to
- Difficult to find one provider that covers the world
- Data required for payout varies in certain countries

Prepaid Card



A prefunded payment card (typically sponsored by Visa or Mastercard) that can be used to make purchases or ATM cash withdrawals.

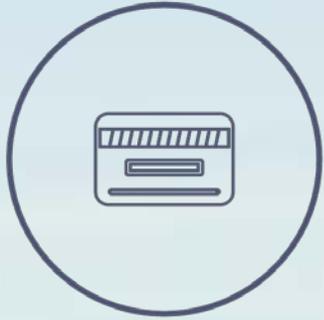
Pros

- Funds transfers are completed in 24 hours or less
- Visa/Mastercard brand and global adoption
- Can be used for purchases or cash withdrawal
- Greater transparency

Cons

- Excessive and hidden costs for recipients: monthly maintenance, withdrawal, activation fees and more
- International beneficiaries pay additional cross-border and FX conversion fees per transaction
- Delays with initial card issuance, mailing and registration

E-Wallets



A virtual account where funds can be exchanged and stored in a virtual wallet.

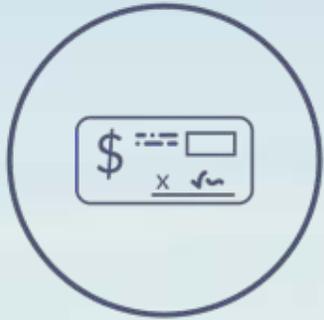
Pros

- Enables secure payouts and pay-ins without exchanging private information
- Convenient process for businesses to deliver instant funds to recipients

Cons

- Additional steps to gain access to funds, resulting in additional costs & delays
- High fees to transfer funds from e-wallet to bank account, with varying transfer speeds
- Limited last mile funding options in many emerging markets
- Possible money laundering

Checks



A printed form of exchanging bank-to-bank payments.

Pros

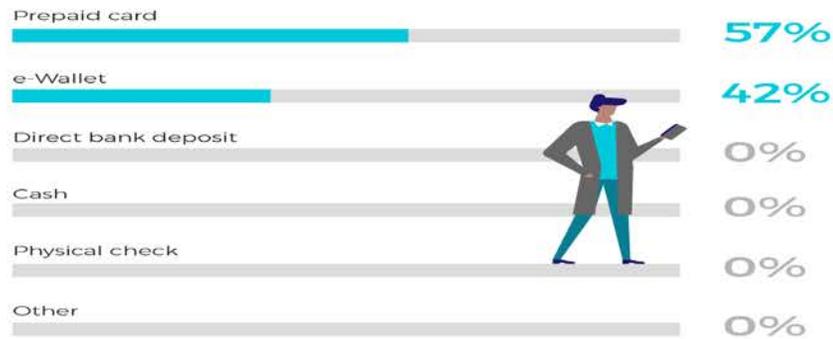
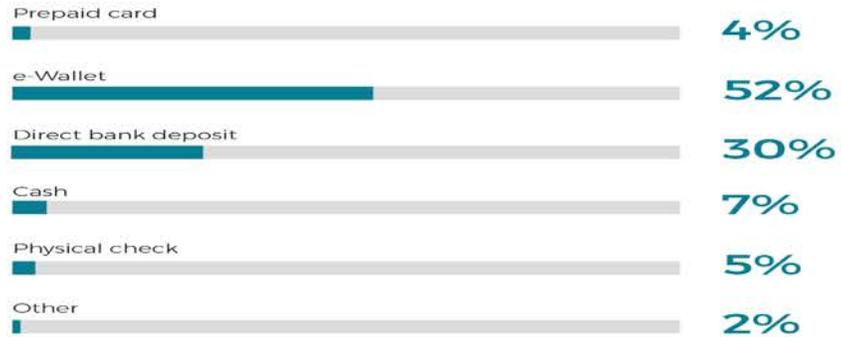
- A traditional form of payment that can be utilized across most geographies and economic environments

Cons

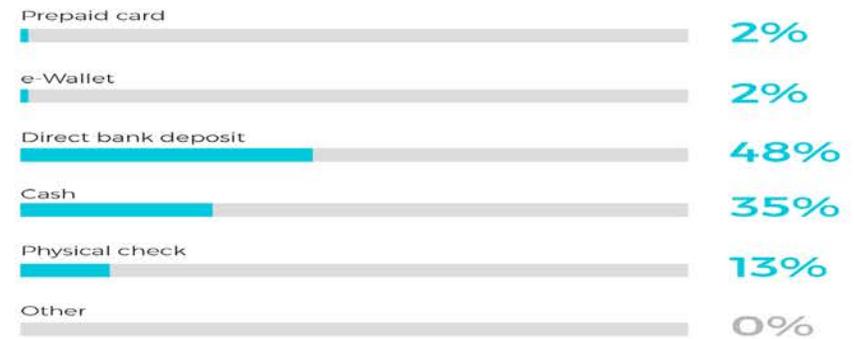
- Slow to reach recipients
- Additional conversion costs for recipients
- Difficult to resolve incidences if lost or stolen
- Some country banks do not accept
- Many countries moving away from using paper checks altogether
- Additional time and resources needed for processing

Transpay's 2018 Freelancer Survey

How women freelancers get paid



How women freelancers want to get paid



#DigitalWomen

Conclusion

"Doing your homework" is a big part in choosing the right payout solution for your business. Key things to remember:

- ✓ **Cost efficient:** Look at all costs and hidden fees involved for your business as well as the recipient you are paying.
- ✓ **Quick and transparent:** Confirm the SLA for receiving the funds on all payout methods. Understand all costs, FX rates and exactly how much beneficiary will receive when you send the payout.
- ✓ **Compliant:** Work with providers that have a well defined global anti-money laundering program, suspicious activity monitoring, and comprehensive sanctions screening
- ✓ **Covered world-wide:** Payout reach in emerging markets and worldwide currencies

Thank you

Don't forget to submit your session evaluation!



transpay 

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