



# Comparing the Top Global Payment Methods



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# The Current State of Supplier Payments

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There are numerous options for paying international suppliers, from prepaid debit cards to international ACH to wire transfers and more. Each has benefits and drawbacks that impact the satisfaction of your suppliers and the workload of your finance team.

The most optimal payment method depends on where the supplier is and their expectations, but managing each type to ensure security, availability, and reliability can be challenging.



There are over **26,000** **global payment rules** for paying suppliers in other countries, so knowing which payment method to use is imperative for successful international expansion.

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# The Top Global Payment Methods



# Wire Transfer



# Wire Transfers

## Credit Transfer, SWIFT, Fedwire

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Wire transfers are an interbank payment method.

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They are highly favored for their **reliability and speed** since they directly connect one bank account to another.

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Wire transfers are well equipped to handle the constant changes of cross-border transactions. However, they are the most expensive electronic method for remitting funds. Typically, there is a transaction fee for both the sender and receiver, and there can also be intermediary bank fees. In addition, should a payment fail, wires transfers can be more expensive to identify, often involving investigation and resubmission fees.



# Wire Transfers

## Credit Transfer, SWIFT, Fedwire (CONTINUED)

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### When to Use Wire Transfers

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- ✦ When a payee needs their money immediately or is receiving a large remittance.
- ✦ Fees can range from \$20 to \$100, so the amount of remittance should be reasonable.

### When Not to Use Wire Transfers

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- ✦ When the payee does not require funds immediately or when the transfer cost is a high percentage of the payment amount.



# Domestic ACH (US)





# Domestic ACH (US)

## Automated Clearing House, Direct Deposit, EFT, Electronic Funds Transfer

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Domestic ACH transfers are a convenient, reliable, **inexpensive** payment method.

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They require knowledge of the payee's bank account and ABA routing transit number (ABA RTN)—customarily available as the first set of digits on the bottom of paper checks and deposit slips.

The second set of digits on the check is the account number. In the United States, the Automated Clearing House (ACH) provides a cross-bank transfer network to clear and settle payments. It does so in batches, which can require several days for payments to clear each bank.

In September 2016, NACHA (National Automated Clearing House Association) began rolling out a same-day ACH for certain transactions that met specific requirements.



# Domestic ACH (US)

## Automated Clearing House, Direct Deposit, EFT, Electronic Funds Transfer (CONTINUED)

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To manually execute a high volume of mass ACH payments, **batched**

**instructions** may be sent to the transmitting bank.

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This can involve a programmatic interface directly with the bank or a file upload with all account information and an understanding of the bank's communication protocols. In case of error, the ACH network sends a series of return codes to identify the issue.

### When to Use Domestic ACH

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- ✦ When a payee in the US doesn't require immediate access to funds.
- ✦ Clearing can take several days, so it is ideal for payment amounts that tend to be lower or more frequent.

### When Not to Use Domestic ACH

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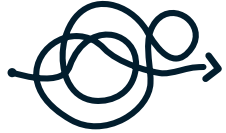
- ✦ When the payee requires funds immediately or does not have a bank account that offers direct deposit.
- ✦ Domestic ACH is not available for anyone outside of the US.

# Global ACH (INTERNATIONAL)



# Global ACH (International)

Local Bank Transfer, eCheck, SEPA (Europe), BACS (UK)



Global ACH is **complex** because there is no formal standard for ACH across multiple countries.

Global ACH attempts to leverage the existing ACH capabilities of a country's banks outside of that country to efficiently and cost-effectively execute cross-border payments.

Global ACH can be a convenient, reliable, inexpensive international payment method if one is fully aware of the unique banking requirements of that country. It requires knowledge of the payee's bank account and ABA routing transit number (ABA RTN) equivalents—customarily available as the first set of digits on the bottom of paper checks and deposit slips. In addition, each country has its own unique requirements.



# Global ACH (International)

Local Bank Transfer, eCheck, SEPA (Europe), BACS (UK) (CONTINUED)



To manually execute a high volume of global mass ACH payments, batched instructions can be sent to the transmitting bank, which **may or may not interface with** specific countries.

Additionally, if there is a processing error, the local banking network sends a series of return codes to identify the issue.

## When to Use Global ACH

- ✦ When a payee is outside the US, and there isn't a need for immediate access to funds.
- ✦ As clearing can take several days, it is ideal when the amounts tend to be lower, or payments are more frequent.
- ✦ Global ACH is also convenient for receiving funds in local currency if the destination country has established and supported banking rules.

## When Not to Use Global ACH

- ✦ When a payee resides in a country with limited banking infrastructure. In these cases, Global ACH methods are not an option.
- ✦ Global ACH is not ideal for transactions that must be received quickly or if the supplier requires paper checks as proof of payment.

# Paper Checks



# Paper Checks

## Paper Cheques, Bank Draft

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Paper checks are physical documents that instruct a bank to transfer a specific amount from the bank account of one party (the drawer) to another party (the payee).

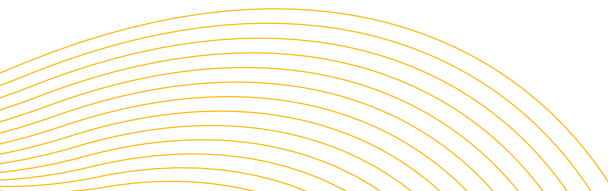
The payee can then cash the check or deposit it directly into their own bank account. Funds are not withdrawn until the drawer's bank receives the check, determines the drawer has money in their account, and releases the amount to the payee.

Typically, a central entity acts as a medium for the various banks to process these payments. In the United States, the Automated Clearing House (ACH) provides a cross-bank transfer network to clear and settle paper checks. It does so in batches, which can require several days for payments to clear each bank. The drawer must have funds available for the bank to release payment. Because of the nature of mail, the paper check transaction process can take several days.



Also, payments **cannot be readily traced** unless the whereabouts of the physical check is known.

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# Paper Checks

## Paper Cheques, Bank Draft (CONTINUED)

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To manually execute a high volume of paper checks, banks may offer print check services where payments can be **uploaded** to the transmitting bank.

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Another option is to print checks in-house and mail them to payees directly.

### When to Use Paper Checks

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- ✧ When a payee is unable or unwilling to provide bank routing information or other means of payment and only provides a mailing address.
- ✧ Paper checks are also ideal for payees that do not require funds immediately or if electronic forms of payment are not accepted in a payee's particular country.

### When Not to Use Paper Checks

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- ✧ When the payee doesn't have a way to cash the check (e.g., a bank account or a third-party cash service).
- ✧ Paying with paper checks is suboptimal in countries where postal privacy, efficiency, and security may cause the check to be stolen or go missing.
- ✧ Most corporate finance departments want to reduce or eliminate check payments because of their high labor costs, inefficiencies, and risk of fraud.



# Prepaid Debit Card



# Prepaid Debit Card

## Cash Card, Debit Card, Prepaid Card, Intercash

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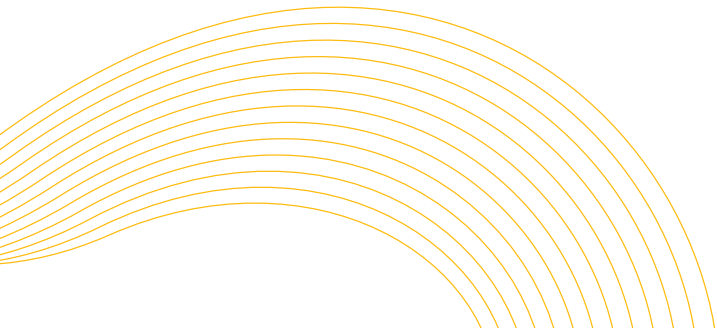
Prepaid debit cards are transactions that are conducted over a debit card provider network. Funds are drawn from the payer's managed account and transmitted to the payee's debit card account. The payee can then use those funds directly to pay for goods and services that accept the debit card (usually in a partnership with a credit card company).

Funds are typically received immediately but may be held by the debit card provider if there are issues.

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In exchange for this service, the debit card provider may charge an **annual fee** to the payee plus a percentage if payees withdraw through ATM (automated teller machines).



# Prepaid Debit Card

## Cash Card, Debit Card, Prepaid Card, Intercash (CONTINUED)

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### When to Use Prepaid Debit Card

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- ✦ When payees are in countries with limited or unfavorable banking infrastructures.
- ✦ When individual payees are active in digital communities, such as online marketplaces, ad and affiliate networks, and crowdsourcing networks, and already have existing card accounts.

### When Not to Use Prepaid Debit Card

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- ✦ When larger, more established partners are involved. In this case, those partners would need to create separate accounts with the provider and might be subjected to additional fees.
- ✦ In a business-to-business environment, prepaid debit cards create one more point of management for the payee.



**PayPal**



# PayPal

## PP, PYPL, Mass Pay, PayPal Wire Transfer

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In this process, funds are drawn from the payer's account (usually via ACH) and loaded into their PayPal account. The payee can then use those funds directly to pay for goods and services that accept PayPal or transfer those funds to a bank account connected to PayPal.

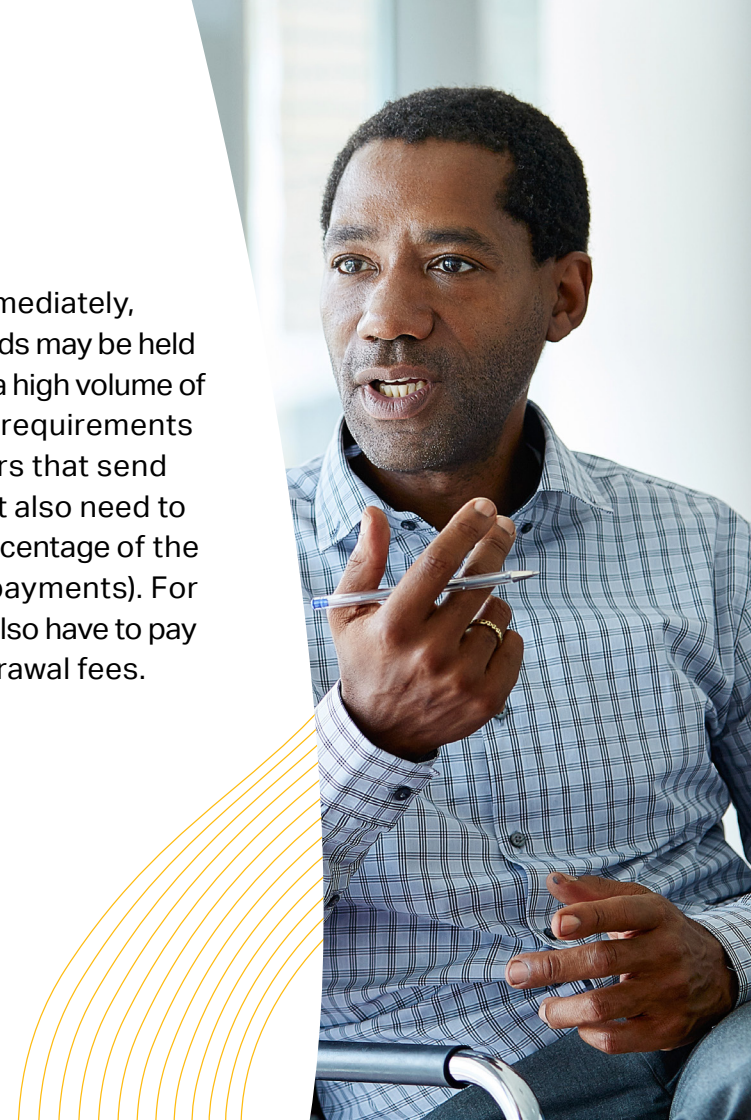


PayPal acts as a **clearinghouse** between users, including ensuring funds are

transferred to suitable users in good standing.

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Funds are usually received immediately, but if there are issues, those funds may be held by PayPal. To manually execute a high volume of payments, PayPal has complex requirements to establish an account. Payers that send mass payments this way might also need to pay a transaction fee (plus a percentage of the transaction for international payments). For international payees, they may also have to pay currency conversion and withdrawal fees.



# PayPal

## Credit Transfer, SWIFT, Fedwire (CONTINUED)

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### When to Use PayPal

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- ✦ When a payee is active in digital communities, including online marketplaces, crowdsourcing, and other on-demand and sharing economies.
- ✦ Most of these payees already have PayPal accounts, so transactions usually are low-friction.
- ✦ Most established, regulated countries have support for PayPal.

### When Not to Use PayPal

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- ✦ When a country has location issues, banking issues, or regulatory issues.
- ✦ PayPal's transaction fees can be too expensive for many payees.



# Comparing Different Payment Methods



# Wire Transfers

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## Requirements

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- \* Requires bank account and ABA routing information, including IBAN, BIC, or other local banking account information

## Benefits

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- \* Immediate exchange and acknowledgment of transfer
- \* Global coverage
- \* Reliable

## Problems

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- \* Expensive and inconsistent with sending and receiving fees
- \* Differing routing rules for each country
- \* A manual bank interface
- \* Cannot pay a large volume of payees
- \* Limited traceability
- \* Incomplete access to bank information





# US ACH

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## Requirements

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- ✧ Requires a bank account and ABA routing information

## Benefits

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- ✧ Cost-effective
- ✧ Convenient

## Problems

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- ✧ Cannot be used to pay overseas
- ✧ Requires at least one day to clear funds
- ✧ A manual bank interface
- ✧ Cannot pay mass volumes of payees
- ✧ Incomplete access to bank information



# Global ACH

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## Requirements

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- ✧ Requires bank account and ABA routing information, including IBAN, BIC, or other local banking account information

## Benefits

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- ✧ Inexpensive
- ✧ Convenient

## Problems

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- ✧ Differing routing rules for each country
- ✧ Requires several days to clear funds
- ✧ A manual bank interface
- ✧ Cannot pay a large volume of payees
- ✧ Complex support in countries with limited banking infrastructures
- ✧ Incomplete access to bank information



# Paper Checks

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## Requirements

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- ✦ Requires a mailing address for the payee with various formats depending on the country

## Benefits

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- ✦ Familiar process and documentation
- ✦ No delays with clearance
- ✦ No direct transaction fees

## Problems

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- ✦ Inefficient postal/mail service involvement
- ✦ Increased cost and workload for physical printing and mailing
- ✦ Lack of traceability
- ✦ International mail issues
- ✦ Multiple points of failure
- ✦ Challenging reconciliation process
- ✦ High fraud risk



# Prepaid Debit Card

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## Requirements

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- ✧ Requires the payer and payee to set up an account through the prepaid debit card vendor, in some cases with an email address or mailing address if they do not already own a card

## Benefits

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- ✧ Strong adoption in countries with limited banking infrastructures
- ✧ Convenient for payees to use funds in daily transactions

## Problems

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- ✧ Requires unique account setup
- ✧ Potential high annual fee for the payee
- ✧ Potential fees for ATM withdrawals
- ✧ Uncertainty as to how funds are managed
- ✧ Challenging reconciliation process
- ✧ Exempt from federal consumer protection laws that apply to bank debit cards
- ✧ Limits for high transaction volumes and amounts



# PayPal

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## Requirements

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- ✦ Requires the payer and payee to set up a PayPal account using an email address

## Benefits

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- ✦ Known brand and market leader
- ✦ Large global adoption
- ✦ Offers multiple ways to extract money

## Problems

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- ✦ High percentage-based transaction fees
- ✦ Unclear policies on holding funds or misdirected funds
- ✦ Few controls for when funds are sent incorrectly
- ✦ Not all countries serviced
- ✦ Not a popular service in all countries
- ✦ Challenging reconciliation process



# How Tipalti Enables Multiple Payment Methods

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When payees select a payment method during the onboarding process, Tipalti prompts payees to enter their account number and any unique requirements for their country and payment method of choice.

Tipalti checks form fields to ensure the entries have the correct character count, format, and structure required by that country. This reduces virtually all likelihood that payments will be rejected due to incorrect information.



Tipalti allows the payee to receive their funds directly in their **choice of currency** (if available).

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Tipalti also offers the payee to choose certain payment thresholds to decide when a wire transfer is cost-effective. Payers can also determine how much or if any fees are passed to the payee.



# How Tipalti Enables Multiple Payment Methods (CONTINUED)

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To streamline bank communications, Tipalti directs all payments at once through **various payment method interfaces.**

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The payer does not have to directly communicate with the bank or access any banking portals for remittance. Funds are pushed into the payee's designated bank account.

Should issues arise (such as the wrong account information or a frozen account), Tipalti stops payment and interprets and normalizes any banking transfer errors into standard, easy-to-understand error messages.

If the payee can correct the issue, they are automatically sent a branded email on behalf of the payer with information on how to update their information.





# Are you ready to manage multiple payment methods?

Tipalti's self-service supplier portal guides suppliers through choosing their preferred payment method and collecting banking details. Our global payments system executes payments to 196 countries in 120 local currencies in 6 international payment methods, including Wire Transfers, Domestic ACH, Global ACH, Paper Checks, Prepaid Debit Card, and PayPal. Using 26,000 global banking rules, our system automatically validates supplier data in real-time and eliminates any payment errors.

**SCHEDULE YOUR DEMO NOW**

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