

A Guide to Global Supplier Payments

Best Practices for Managing Cross-Border Transactions

This guide discusses the challenges organizations face around international payments and presents key action items to complete for global transactions.

Underwritten in Part By

The Tipalti logo consists of the word "Tipalti" in a bold, dark blue, italicized sans-serif font. A red curved line arches over the top of the letters "i" and "p".

With the rise of globalization, organizations are interacting with international business partners more frequently. When it comes to a key part of this interaction—properly and safely processing cross-border payments—Accounts Payable (AP) departments face complex requirements.



Accounts Payable departments face **complex requirements** when properly and safely processing **cross-border payments**.

A study surveying North American organizations' payments activity revealed that the top challenges faced in processing international payments include meeting local payments requirements (e.g., foreign exchange fees) and preventing fraud (e.g., checking payee against OFAC) (see Figure 1 on the following page). The more international payments a business processes, the more likely it is to deal with other pain points as well, including longer approval cycles, missing information on invoices, and a high number of exceptions. Strong international payments policies and processes not only address these challenges, but also help to protect an organization from various risks, including financial, data security, and reputational risks.



FIGURE 1



Top International Payments Concerns Include Local Payments Requirements and Fraud Prevention

What are the top challenges your organization faces in processing international payments?

A higher volume of international payments means that an organization is more likely to experience **more pain points** in their payments process.



KEY ACTION ITEMS FOR PROCESSING CROSS-BORDER PAYMENTS

The steps in this guide will assist AP professionals in managing cross-border suppliers and payments by offering an overview of key action items when processing international transactions.

1

Gather and maintain comprehensive payee contact information.

Data collection is perhaps the most crucial step in making international payments. AP departments should gather all relevant information for payees, including name, country, email, and street address, and they should have a process in place for keeping that information up to date. Failing to use current, accurate information can delay or disrupt payments. Also, lacking a secure system in which employees can make changes to payee information can make an organization a target for both internal and external fraud.



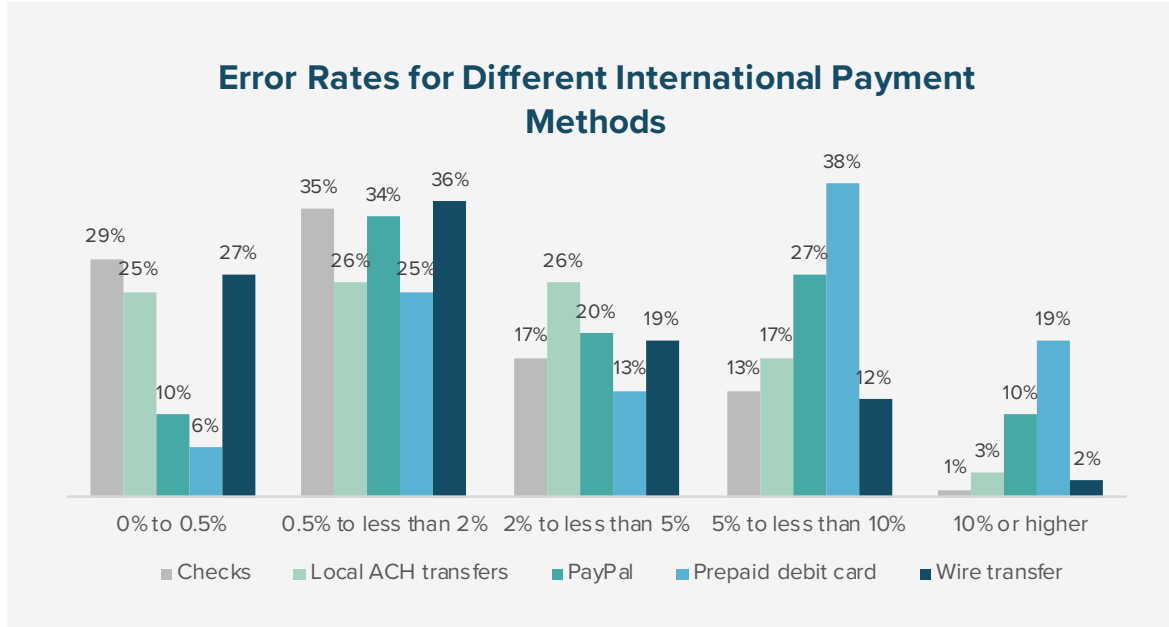
2

Implement a process for controlled, accurate payments.

When making payments, payers are required to collect and verify financial data to ensure an accurate, secure payment. The data required depends on the method of payment chosen, but many methods, such as wire transfers, involve collecting and verifying bank and routing data.

Wire transfers are the most common method for paying international suppliers; according to recent Level Research survey data, 80% of organizations use wire transfers for cross-border payments. Wire transfers are faster than many other payment options, and they also tend to incur lower error rates compared to other options (see Figure 2).

FIGURE 2



Wire Transfers Have Comparatively Low Error Rates

What do you estimate is your organization's average payment error rate?



Despite these benefits, wire transfers have seen a slight decrease in usage for international payments from 2018, while methods like PayPal and prepaid debit cards have increased in popularity (their combined adoption rate has risen by more than 25%). Unfortunately, while card-based payments are quick and easy to use, survey results indicate that they lead to a higher rate of payment errors—likely due to the minimal integration requirements and controls involved.

Considering the number of payment tools available today and the likelihood that organizations’ AP teams will use a variety of methods across their suppliers depending on use case, it is critical for the paying organization to have a process in place to ensure data collection and verification, security, and control for each method. This entails correctly capturing the bank routing and account information of their suppliers, as well as verifying their syntax for unique countries and jurisdictions. Other information to collect may include currency information, banking codes (e.g., SWIFT, IFSC), and any requirements of a payee’s local bank. Collecting accurate bank account information increases the success rate of payments; depending on yearly payment volume and method, the impact can be significant.

3

Prioritize and complete tax information.

International tax requirements can be a labyrinth of foreign laws, regulations, and forms. Under an unstructured, manual process, this can become time-consuming, error prone, and high risk for AP departments. It is among the top international payment challenges reported by survey respondents. It is important to prioritize tax information collection when onboarding suppliers and processing



payments. This involves collecting and checking all appropriate forms per FATCA requirements, including W-9, W-8 Series, and VAT ID. In addition, organizations must record all transactional data for future tax (i.e., 1099 and 1042-S) filings.

4

Take steps to comply with OFAC and prevent fraud.

When operating globally, organizations are often exposed to a higher risk of interacting with fraudulent suppliers. Although the payer may not be at fault for criminal behavior, they will still pay consequences for doing business with companies that are. In order to comply with international legal standards, organizations must verify all payees against “do not pay” lists; if suspicious payees appear during this check, they should be reviewed thoroughly before they are approved. Ideally, an organization will have access to restriction information that is updated in real time, and will also be able to flag any potentially problematic suppliers by their country, previous fraudulent activity, or unauthenticated identity.

5

Create operational controls.

Due to the higher risk associated with cross-border payments, organizations should control who can approve and execute such payments. Executives and managers should set approval controls for certain amounts/ employees, limit access to payee information or account balances, and/or schedule payments. Paying organizations should position themselves to have control over their entire payment process and supplier data management, with full visibility into payments’ statuses and supplier information.



6

Optimize invoice management and payment reconciliation.

Just as with local invoice and payment management, AP departments should have an efficient, controlled process in place for matching invoices to POs and other documents for international payments, and payment reconciliation. It is important to maintain all transactional activity in a digital environment where possible, such as by implementing electronic invoicing to enable direct integration with suppliers. Paying organizations should account for all invoice and payments terms and conditions that are not normally included with local vendors and standard payment runs, and for every completed payment, AP departments should generate detailed payment remittance reporting.

Using advanced AP software or a comprehensive service can help reduce the burden and complexity of cross-border payments on an organization's AP and legal departments. A solution with international payments functionality will automate compliance checks, provide built-in controls, and streamline cross-border invoice and payment management, resulting in a more efficient and secure international payments process.



About the Sponsor

Tipalti provides a global payables automation solution, allowing finance teams to be more strategic in managing local and cross-border supplier payment processes. The Tipalti solution helps eliminate the errors, risk, and complexity in supplier management and onboarding, invoice workflow automation, tax and regulatory compliance, global payments, and payment reconciliation. The company has facilitated several successful process transformations across its customer base; companies like Amazon, Twitter, GoPro, Nikon, Zumba, and Roku have reported that the Tipalti solution has enabled them to automate over 80 percent of their global supplier payment processes.

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