



International Payment Updates

For companies of all sizes, the cost of each international payment transaction can result in a significant cost of doing business. Read on to find out what's changed regarding the international payment options available today.

What is the most efficient and cost effective way for translators and other language-industry vendors to receive international (and domestic) payments and for agencies and other clients to pay their suppliers?

The translation industry's focus on subcontracting and the use of vendors worldwide has resulted in a high volume of payments being made across international borders. For companies of all sizes (from 1 to 1,000), the cost of each transaction can result in a significant cost of doing business. For this reason, it is worthwhile to investigate the various options available for sending and receiving international payments within the language services industry. I covered this topic initially in

an article in *The ATA Chronicle* in 2014.¹ However, due to the ever-changing financial landscape of online transactions, payment options should be revisited periodically. The following addresses various updates to the international payment options available today.

INTRODUCTION TO INTERNATIONAL PAYMENT OPTIONS

Payment methods common within the language services industry include electronic funds transfer, checks, wire transfer, PayPal Here, and Skrill.² The types of payment accepted by a translation provider depend on many factors, including where clients are located, client

industries, and the amount of funds being transferred. The types of payment a client is willing to make depend on similar factors. Let's look at each of these payment methods in turn.

Electronic Funds Transfer: This method is slowly becoming more common in the U.S., and is most often used by large corporations to pay vendors. However, its use still lags far behind that of other countries, where transferring funds is common in everyday life.

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Paper Checks: Checks are still common in the U.S. banking system, but are rarely used in most countries. They may get lost or stolen when sent overseas and can be expensive to cash in a foreign currency.

Wire Transfer: This method is commonly used in the language services industry to pay international vendors, but wire transfers are expensive to send and receive. They may also include "hidden fees" due to the number of banks involved in the process. Another problem inherent to international wire transfers is that the receiving bank controls the exchange rate offered, and the rates offered by banks are not usually favorable.

PayPal Here and Skrill: Payments received by PayPal Here and Skrill are subject to per-transaction fees based on the amount of money being transferred. When foreign currencies are involved, they are subject to unfavorable exchange rates as well. Additional fees may also be involved, since PayPal Here and Skrill have complicated rate structures that depend on how payments are funded by the sender as well as in which countries the sender and receiver are located.

Using PayPal Here and Skrill, however, may be advantageous, particularly when a payment is under a certain threshold.

Please note that this article is not offered as legal or financial advice and is informational only.

Since each individual business should decide what this maximum is, one of the most important questions to ask is: *At what point do PayPal Here's fees surpass those charged for transfers using other methods (such as wire transfer)?* If, for example, PayPal Here's fees exceed what bank wire transfer fees would be for an international payment of \$500, then it probably makes sense to request that all payments under \$500 be paid by clients using PayPal Here (for the speed and efficiency of this method). In such cases, you would probably request that all payments over \$500 be paid via wire transfer (for the lower fees at this theoretical cut-off amount, as well as for the convenience of direct deposit).

ALTERNATIVES FOR ACCEPTING CREDIT CARDS

There are more options available for small (and large) businesses to accept credit cards on an ad hoc basis today than in the past. Even if accepting credit cards is not required for the bulk of your business transactions, it may be useful in certain situations (e.g., when working for a large client to encourage faster payment by avoiding the normal procurement process, or when accepting projects from private individuals from whom you require advance payment). Credit card solutions through companies like PayPal Here and Square allow smaller companies, or one-man/woman shops, to accept credit card payments without having to pay the set of fees that go along with full-fledged credit card merchant services. For retail stores and other businesses with a high volume of payment transactions, it may make sense to pay annual or monthly fees, equipment fees, and per-transaction fees to be able to process up to hundreds of credit card transactions per day. However, for most language services providers, especially freelance providers, this level of service is not required.

Square and PayPal Here are both services that can offer flexibility in accepting credit card payments without requiring much upfront or ongoing investment. Both companies offer mobile solutions that require only a smartphone or tablet to accept credit cards from clients. Both companies also offer a free

app to accept and manage payments, a free card reader for swiping cards,³ and other features that vary slightly between the two companies.⁴ You can also enter card payment information directly into your account online or in the app (but at a higher cost than if you are able to physically swipe a card, which may, in fact, be an infrequent act when accepting payment from clients who are remote).

Square offers its credit card processing services to residents of the U.S., Canada, Japan, and Australia. Square allows you to process internationally-issued credit cards (from international clients) if you are in the country where your Square account was activated. However, if you are physically outside your home country (traveling abroad), you cannot process payments.⁵ PayPal Here's rules on the exact point of physical location are not evident on its website, but, in general, the company does accept international credit cards. Both companies charge additional fees for currency conversion (if required) and for processing internationally-issued credit cards.

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To decide if accepting credit cards under these circumstances is advantageous for your business, make sure you understand all of the fees involved so you can compare total fees along with expected profits. Neither Square nor PayPal Here require contracts or charge termination fees. This allows you to accept credit card payments when it suits you for a particular situation or client and avoid being locked into an expensive long-term merchant agreement. This allows for the flexibility of periodically accepting credit card payments with low risk.

FOREIGN EXCHANGE COMPANIES

Foreign exchange companies are an option for small and large companies alike

working in the international arena. These companies include American Express FX Payments, Cambridge Mercantile, OANDA, and Western Union. Other similar foreign exchange companies exist and can be found through a simple online search. (Please see the sidebar on page 15 for links to these companies, along with other resources for information on international payment.)

Before working with any foreign exchange company, perform the appropriate due diligence so that you're comfortable with their rules and regulations and having them access your bank account. These companies normally allow for foreign transfers to take place both into and out of U.S. funds. However, you should confirm that the company with which you wish to work can transfer funds between the countries you require.

Foreign exchange companies make a profit from the interest on the "float" when they are transferring money. Therefore, they can usually offer exchange rates that are more competitive than those offered by banks. These companies are international financial institutions, but they are not banks. To use their services to transfer funds, a translation professional needs to be approved through an application process and to provide the company with direct access to a business bank account. This will allow the translation provider to facilitate making payments to bank accounts in other countries and in various currencies. Recipients of the funds sent only need a bank account. They do not need to sign up with the foreign exchange company being used by the sender and should not be charged a recipient fee.

These foreign exchange transactions should have lower fees than wire transfers and are normally completed within one to three days. Note that the exact services offered by foreign exchange companies will vary, so you should compare services to find what best fits your needs. For additional information about foreign exchange companies, please refer to my article "International Payment Options for Translators and Agencies" from 2014.⁶

When transferring large sums of money, or small sums over time, these companies' advantageous foreign exchange rates can result in savings of hundreds or even

thousands of dollars. Calculating the potential long-term monetary benefits of working with a specialized foreign exchange service provider can help you craft an appropriate international payment strategy.

TRANSFERWISE

TransferWise is another alternative to traditional banks for transferring money internationally. It is considered to be a peer-to-peer money transfer service and was created by the original founders of Skype. TransferWise targets various audiences within the international community, including expats, small international businesses, and students studying abroad. To use TransferWise you do not need a business bank account as you do with foreign exchange companies. TransferWise offers exchange rates that should be more attractive than those offered by banks. Again, as with foreign exchange companies, TransferWise does need access to your bank account to complete transactions.

FOREIGN EXCHANGE RATES AND PER-TRANSACTION FEES

My previous article on international payment options contains a more detailed discussion on how fees and foreign exchange rates can affect payments made through various methods, including electronic funds transfers, wire transfers, PayPal Here, Skrill, foreign checks, credit card payments, or payments made through foreign exchange companies.⁷ For the purposes of the present article, be aware that the exchange rate you receive when an international transaction is executed is very important and will fluctuate depending on the type of payment service used. Be sure to consider the different exchange rates offered by various services. The volume of money you transfer and when it is transferred will also affect the exchange rate. For example, foreign exchange companies will probably offer better exchange rates than banks, and banks will probably offer better rates than PayPal Here. Since there are many factors at play, you need to verify each case for your particular situation.

Per-transaction fees also play a role in the bigger picture. These are the one-time fees charged for wire transfers, per



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PayPal Here transaction, or various other financial transactions. It isn't always possible to eliminate or reduce per-transaction fees. For example, PayPal Here probably won't change their fee structure for you, but a foreign exchange company might be open to negotiating theirs. Keeping both per-transaction fees and foreign exchange rates in mind is important as you map out your international payment strategy.

MULTIPLE BANK ACCOUNTS

In my previous article from 2014, I discussed using bank accounts in more than one country to facilitate a coherent international payment strategy. However, since that time, U.S. tax law and international reaction to it has made it increasingly difficult for individuals to open bank accounts in countries outside their country of residence. This is the

case even if an individual is a citizen of the targeted country (but does not currently live there). For example, if a French national is a permanent resident of the U.S., it can be very difficult for that individual to open a bank account in France, even though French nationals are guaranteed access to French banking services by French law.

The Foreign Account Tax Compliance Act (FATCA) became law in the U.S. in March 2010.⁸ This law requires U.S. taxpayers to report certain types of foreign financial accounts and offshore assets to the U.S. government and tax authorities. It also has provisions for punitive actions against foreign financial institutions (outside U.S. borders) not reporting information about accounts held by U.S. citizens.⁹ As a result, European and other non-U.S. banks have made it very difficult for U.S. citizens (even when they physically reside in Europe, for example) to open—or even maintain previously established—bank accounts in countries outside the U.S. For these reasons, if you are a U.S. resident (U.S. citizen or not) and have a foreign bank account outside U.S. borders that is still accessible to you, consider yourself very lucky. As a result, currently basing an international payment strategy on the use of multiple bank accounts around the world is not a viable option for most people or small businesses.

On the American side, it may still be possible for non-U.S. residents to open bank accounts in the U.S., but residency and citizenship requirements do come into play. Some credit unions or other financial institutions are amenable to opening accounts for non-residents, but due to stricter international banking rules focused on money laundering and terrorism, this can also be difficult. At this juncture, for most people, using various international payment methods that fit your business practices is a more profitable way to manage an international payment strategy so that it works to your advantage, rather than having to depend on multiple bank accounts in multiple countries.

DEFINING YOUR INTERNATIONAL PAYMENT STRATEGY

It is to your benefit to try and get the most for your money when performing


international payment transactions, whether you are the vendor or the client. To do so, you must assess any international payment method you are considering carefully. You should also periodically assess and reassess the current (or default) payment methods you use. It is worthwhile to consciously define your payment strategy rather than simply staying with old habits.

Credit card solutions through companies like PayPal Here and Square allow smaller companies, or one-man/woman shops, to accept credit card payments without having to pay the set of fees that go along with full-fledged credit card merchant services.

As you define what is the right approach to international payments for your business, ask these important questions:

- Do you work with direct clients or agencies?
- Who are your vendors or customers?
- What are their industry norms for payment?
- What currencies do they prefer?
- In which countries are they located?
- Which payment service providers offer services in these countries?
- What are the typical amounts of money involved in your transactions (many small amounts or less frequent larger sums)?
- Which foreign currencies are you willing to accept?
- What payment terms do you accept (upon receipt, 15 days, 30 days, 45 days, 90 days, or other)?

By reviewing your replies to these questions and the services offered by each international payment provider, you can assess which payment methods best fit with your various clients, vendors, and payment scenarios. You can mix and

match your options as needed and not be locked into using only one payment method. And, of course, be sure to consider international accounting/tax issues and consult with the appropriate tax professionals so that you adhere to the rules of each country in which you hold funds. Finally, if you use another international payment method that is not mentioned here, I'd be interested in hearing about it. Please feel free to contact me at eve@bodeuxinternational.com. 

NOTES

- ¹ Lindemuth Bodeux, Eve. "International Payment Options for Translators and Agencies," *The ATA Chronicle* (American Translators Association, November/December 2014), 10–14, <http://bit.ly/Chronicle-Bodeux-2014>.
- ² Note that Bitcoin will not be covered in this article. It's still a fairly new addition to the payment options available to the business world and is very complex. It operates outside regulated financial systems, and I have no anecdotal or other evidence of Bitcoin being used for payments in the translation industry, though there may indeed be instances. If you have examples of Bitcoins being used for the payment of professional services within the language services industry, please contact me.
- ³ A reader that can process chip cards is provided for purchase from either company.
- ⁴ See each merchant's site for exact details: PayPal Here at www.paypal.com/webapps/mpp/credit-card-reader-how-to and Square at <https://squareup.com>. In addition, here is another article that provides a detailed comparison of each provider's mobile payment services: Johnson, Melissa. "Square vs PayPal Here" (Merchant Maverick, November 22, 2015), www.merchantmaverick.com/square-vs-paypal.
- ⁵ Square Support Center article entitled "International Availability," <http://bit.ly/international-availability>.
- ⁶ Lindemuth Bodeux, Eve. "International Payment Options for Translators and Agencies," *The ATA Chronicle* (American Translators Association, November/December 2014), 10–14, <http://bit.ly/Chronicle-Bodeux-2014>.
- ⁷ Ibid.
- ⁸ IRS-provided information on the Foreign Account Tax Compliance Act, <http://bit.ly/IRS-FATCA-compliance>.
- ⁹ FATCA is also addressed in an article that appeared in *À Propos*, the online newsletter of ATA's French Language Division: Tridico, Laura. "Expatriate Linguists in a Globalized World—Tips on Living and (Legally) Working Abroad," *À Propos* (American Translators Association French Language Division, February 26, 2016), <http://bit.ly/ATA-FLD-Tridico>.

Resources for Information on International Payment

American Express FX Payments
americanexpress.com/ip

Cambridge Mercantile
cambridgefx.com

OANDA
www.oanda.com

PayPal Here
www.paypal.com/webapps/mpp/credit-card-reader-how-to

Skrill
www.skrill.com/en

Square
<https://squareup.com>

TransferWise
transferwise.com

Western Union
onlinefx.westernunion.com/business



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