

INSTANT SALARY PAYMENTS FROM 3 DAYS TO 30 SECONDS

Pay employees to their debit and credit cards – it's fast, secure and accurate.

CONTENTS

03 > Executive Summary

04 > Payment Methods

> Bank Rails

05 > Card Rails

06 > Original Credit Transaction
to Debit or Credit Cards

07 > Setting up Payments

> Bank Account Validation

> Card Validation

08 > Payroll & Treasury
Payment Cycles

09 > Employee
Experience

10 > Glossary

Discover how we can help you
unify your payroll technology and
processes across 130+ countries.

 cloudpay.com

Americas: +1 919 322 5800

Asia: +65 6403 5900

Europe: +44 1264 253 100

EXECUTIVE SUMMARY

Most organizations pay their employees through the banking system, via services such as BACS, ACH, and SEPA. These typically take 2-3 days to process through multiple banks en-route to the recipient's account.

The setup procedure is lengthy, involving several data points and a 'penny test' for validation. This complexity provides multiple points of failure, and so inevitably throws up errors, requiring a payment trace which also takes days.

It's now possible to pay employees across the world pretty much instantly, as a pay-to-card transaction that travels via the card rails network. This global payment method is simple to set up and validate, and money appears in the recipient's account within about 30 seconds.

Payments are made across a single, secure global network, Visa Direct, Visa's real-time push payment platform. So it's highly accurate and easy to trace payments.

Payments can be made to any card, debit or credit, under any brand.

Payroll cycles traditionally allow 3 days for payments to arrive with employees by payday. But imagine what your payroll and finance functions could do with those days?

- Close the payroll later
- Reduce off-cycle calculations
- Reduce new starter set-up time
- Minimise payment failures
- Maximise working capital time

Advances in FinTech and mobile apps mean the employee experience can be modernised with new ESS (employee self-service) tools that put them in control of how they are paid.

We think this is a game-changer for global payroll, finance and HR teams. Read on to find out more. Feel free to contact us with questions.

PAYMENT METHODS

A payment rail is a payment platform or network that moves money from a payer to a payee.

This includes all types of digital money transfer between one individual or organization to another, regardless of country, currency, or digital payment method.

Until recently there was only one payment rail available to pay employees – banking rails. But CloudPay now offers a new system: instant payments over card rails.

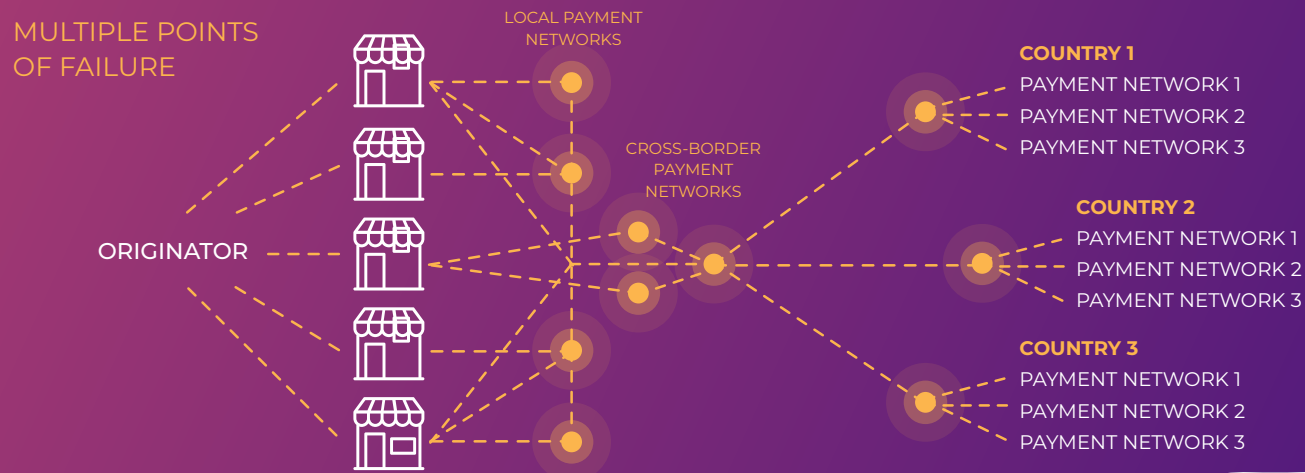
So employers now have a choice of payment methods, significantly faster, and with a higher level of security and accuracy than ever before.

Bank Rails

The banking system is a complex machine. It is made up of many electronic payment networks around the world, both local and cross-border. These international networks include SEPA, ACH, BACS, Swift and Wire.

So, when you send a payment from your bank to another person, particularly if they're in another part of the world, it's not just a simple payment from one bank to another.

The transaction is routed through numerous banks and networks. It's a complex process that is difficult to trace.



PAYMENT METHODS

With card rails, payments go over a single, global network. It's a very straightforward process.

Card Rails

When a payment is made in a shop or a restaurant for example, it's instant. You hand over the card and make an immediate payment via a single network. The transaction doesn't go outside that network.

All cards have a 16-digit number, an expiry date and a CVV number. There is one standard for all card types.

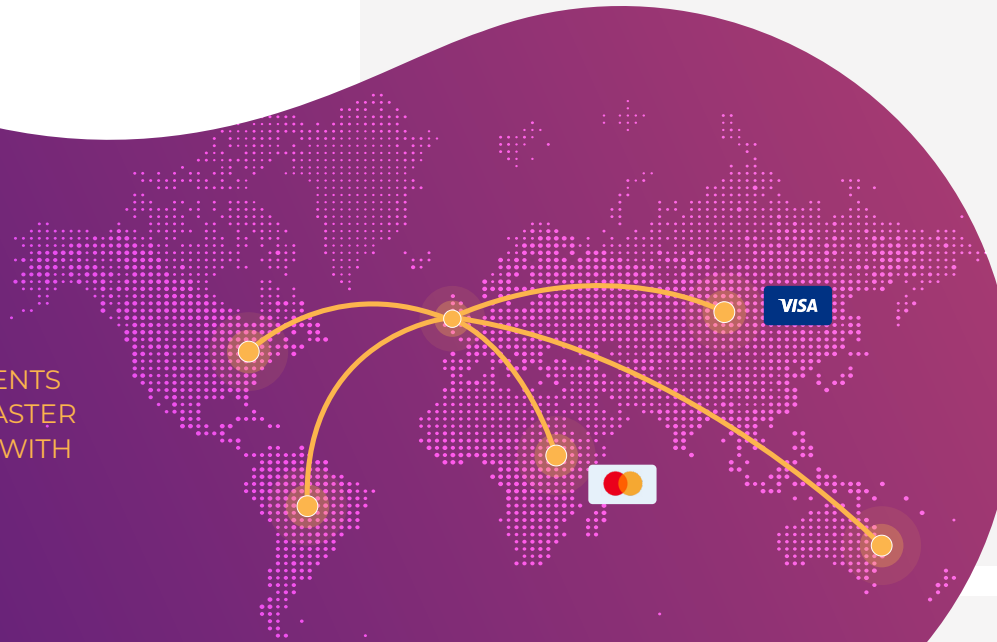
Bank transfers require a range of information including, account numbers, sort codes, account holder names and addresses. It's a complex process that is difficult to trace.

DID YOU KNOW?

The information needed to pay employees via bank rails differs around the world. In Canada employees need to provide a bank routing number. This is called a sort code in the UK. In China the payee's telephone number is needed and in the Ukraine a tax ID must be supplied. In most European countries payees' IBAN numbers are required to make cross border payments.

[Source: Investopedia.com]

INTERNATIONAL PAYMENTS
ARE MUCH SIMPLER, FASTER
AND MORE ACCURATE WITH
CARD RAILS



ORIGINAL CREDIT TRANSACTION TO DEBIT OR CREDIT CARDS

We're used to seeing retailers make a refund payment to a card when goods are returned. This is a 'reverse payment' that's only possible when a debit transaction was made first.

CloudPay have been given authority to make Original Credit Transaction (OCT) payments without any previous debits taking place. CloudPay is pioneering the use of OCT for payroll payments globally via the card rails globally.

This new digital payment method is made possible through CloudPay's partnership with Visa, leveraging state-of-the-art security and compliance controls of the payment provider's global network.



24/7
payments



No bank
details stored



No penny test
= easy setup

SETTING UP PAYMENTS

Bank Account Validation

Employees need to provide all their bank details – name, bank name, address, sort code and account number – which are loaded onto the employer's payroll system.

Employers or their payroll providers must validate every individual employee bank account. The only way to validate the account is by sending a transaction to the account (usually a penny), which the recipient confirms receipt of. It's much like a PayPal validation. It takes weeks to set up bank payments for thousands of employees.

After the initial setup, bank transfers are prone to errors. Transactions can fail

for several reasons. One example is due to an inconsistency between names on paperwork after a change from maiden name to a married name. Employers can put a trace on a payment.

But this takes several days, during which time both employees and employers are frustrated. Then the transaction is reversed, pulling back the money, but a new payment still needs to be made.

Issues occur regularly with the banking system due to the various points of failure along the bank payment route.

There are multiple points of failure along the bank payment route

Bank payments can only be processed within normal banking hours.


So, Monday – Friday, 9-5. For example, if you want to make a payment via SEPA on a Friday at 6 pm, it won't arrive in the employee's bank account until the following week.

Card Validation

Employees only need to provide their 16-digit card number, expiry date and CSV code.

When the card is presented it's instantly validated. A big advantage of card payments is the speed of transaction. The transaction takes just seconds to appear in the employee's bank account.

Not only is the transaction fast, but the card network runs 24/7 all year round. So payments can be made and received outside of business hours.



**\$62
trillion**

The ACH Network processed \$62 trillion in 2020, making it one of the most popular payment rails worldwide for online payments.

Source nacha.org

PAYROLL & TREASURY PAYMENT CYCLES

Payroll sign-off dates are typically 6-7 days before the employee is due to receive their salary. A payment cycle will allow 3 days to submit funds to CloudPay and a further 2-3 days to send the money to the employee.

Switching payment to the card system benefits both employers and employees.

Employers save time on the payment cycle and employee set-up. Three extra days buffer time each month is a significant efficiency benefit.

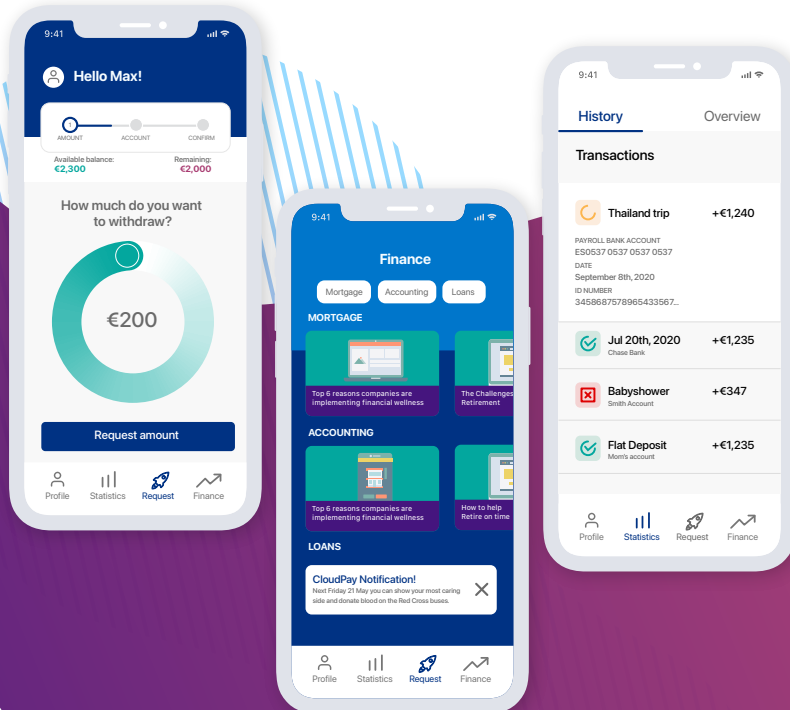
And working capital remains in the employer's bank account for longer.

With the increased accuracy of card payments, less time is spent on missing payment queries.

Employees receive money in their bank account as usual when they've chosen to be paid via their debit card.

The difference is the set-up will have been quicker for new employees and there will be far fewer problem payments.

If an advance or off-cycle payment is required, this can be made instantly.



EMPLOYEE EXPERIENCE

Progressive employers have their employee experience front of mind. It's about attracting and retaining talent.

Advances in FinTech have opened up possibilities for companies to add new tools to ESS (employee self-service) platforms, putting employees in control of how they are paid.

CloudPay NOW is a free-to-download mobile app for employees, through which they can input card or bank details, view payslips, and draw down earned wages.

Setting up card payments via the app means the employer does not store bank card details for their employees, removing any concerns for either party over data protection.

GLOSSARY

ACH – Automated Clearing House.

EFT – Electronic Fund Transfer – an umbrella term for transferring money from one bank account to another and includes payments such as ACH transfers and wire transfers.

ESS – Employee self-service. Tools or platforms that enable employees to control how they are paid.

FX – Forex or foreign exchange market. The market in which currencies are traded. Includes every currency in the world.

Local Bank Transfer – A cross-border payment that uses a network of financial institutions to enable you to pay someone using their local bank.

OCT – Original Credit Transaction. Payments made via card rails without any previous debits being made.

Pull funding – Payments taken from a funding account through the Automated Clearing House (ACH) system. Direct debits are an example of pull payments.

Push funding – Debit and credit card payments and wire transfers are push payments.

RTP – Real time payments are faster payments offered by The Clearing House in the USA, Faster Payments in the UK and other organizations around the world.

SEPA – The Single Euro Payments Area. This includes 36 European countries. 27 from the European Union and other countries in Europe.

SWIFT – Cross border payment system also known as ‘wire transfer’. International transfers that are settled between banks

that have a correspondent banking relationship. Banks must be a member of SWIFT to send or receive international payments.

Virtual wallet – Also known as a digital wallet or e-wallet. A digital version of a financial account, which contains all of the card information you might carry around with you in a physical wallet, but digitally. Examples include PayPal, Venmo, Apple Pay and Google Pay.

Virtual bank – Also referred to as a digital bank. An organisation that can offer banking activities online, which were historically only available at a bank branch. Revolut and Monzo are examples of virtual banks.

Wire transfer – An electronic transfer of funds via a network of banks and transfer service agencies around the world.

PAYMENT SYSTEMS AROUND THE WORLD

UK

BACS – Bankers Automated Clearing System

CHAPS – Clearind House Automated Payment System

FRANCE

STET

BELGIUM

CEC – Centre for Exchange & Clearing

INDIA

NEFT – National Electronic Fund Transfer

NACH – National Automated Clearing House

SINGAPORE

eGIRO – part of Singapore's Automated Clearing House

USA

ACH – Automated Clearing System

CHIPS – Clearing House Interbank Payments System

NSS – National Settlement Service

MEXICO

SPEI – Sistema de Pagos Electronicos Interbancarios

BRAZIL

STR – Reserves Transfer System)

SILOC – Deferred Settlement System)

PERU

CCE – Camara de Compensacion Electronica



Discover how we can help you unify your payroll technology and processes across 130+ countries.

 cloudpay.com/global-payroll-solution

Americas: +1 919 322 5800

Asia: +65 6403 5900

Europe: +44 1264 253 100