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Message in a bottle? Maximising success in critical international payments

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There are many anecdotal stories about bottles containing long-lost messages and valuable treasures washing up on coastlines around the world years after they were sent. Presumably, the person who dropped the bottle in the first place had no expectations that it would, if ever reach a particular destination. So, are treasurers paying any more attention when making their business-critical, time-sensitive international payments?

As companies expand their geographic footprint and increase the complexity of their transactions in emerging markets, secure, automated international payments are becoming a growing priority.

Failed payments can result in major financial and reputational damage. When making a payment, every treasurer expects that the beneficiary will receive the right amount on the correct value date. This is relatively straightforward in the case of domestic or cross-border payments between liberal economies equipped with a comparable payment infrastructure.

The challenge comes, however, when making payments in currencies or markets where regulations are more restrictive, or where the local clearing infrastructure is less automated. The risk of payment failure is high, unless the processing bank brings specific local and cross-border expertise, responsive customer service and robust, secure processing capabilities.

The impact of geographic expansion

As companies continue to expand to challenging markets and engage in more sophisticated activities, the scale and complexity of their international payment requirements are increasing. Acquisitions of Asian companies by European and North American global players, and vice versa; FX transactions in exotic currency; and growing trade corridors between areas like Asia and Africa, China and the Middle East, and Europe and Turkey are all creating new trade and investment flows.

Indeed, as new trade corridors develop between Europe and emerging economies (e.g. between Germany and Turkey), international payments between countries where the payment infrastructure in the source and destination locations differs considerably is on the rise. Once again, local knowledge and expertise, as well as direct access to local clearing systems are critical.

The discrepancy between the financial infrastructure, the regulatory environment and the payments culture of the origin and destination countries can be substantial. So the challenge for corporate treasurers and their banks is how to successfully manage complex cross-border payments that require specific formatting, processing and controls, while maintaining a high level of straight-through-processing to avoid errors or extra delays while maintaining competitive pricing.

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