



INSTANT SALARY PAYMENTS

How forward-thinking payroll and finance leaders are unlocking instant payment rails to cut days off their payroll cycle



CONTENTS

- 03** > Executive Summary
- 04** > Payroll & Treasury Payment Cycles
- 05** > Payment Methods
 - > Bank Rails
- 06** > Card Rails
- 07** > Original Credit Transaction to Debit or Credit Cards
- 08** > Setting up Payments
 - > Bank Account Validation
 - > Card Validation
- 09** > Employee Experience
- 10** > Glossary

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

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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.

Yet paying employees is often the largest movement of money in a business. Take a hypothetical (and very typical) multinational technology company with 50,000 employees. Within a single pay run, that 'movement of money' can easily reach USD\$160m+.

Moving that \$160m+ using traditional banking rails can add days to each month's payroll cycle. For finance teams, that translates into valuable time lost when funds could already be (or remain) in accounts; time that would lessen cash flow angst and bolster balance sheet efficiencies.

And with payroll already requiring multiple processes to deliver on time and on point, any delays impact payroll teams, too: costing them time, money and added stress – let alone impacting the wider employee experience.

While business processes have accelerated over the past 20 years, it's clear that payroll has been largely overlooked. It's time that its importance as a strategic advantage for payroll and finance teams is championed – delivering a new solution that is fast, flexible and certain.

Enter instant salary payments. With the ability to pay employees across the world near-instantly – as a pay- to-card transaction that travels via the card rails network, instead of the traditional banking rail – this global payment method is simple to set up and validate.

As for speed? Money appears in the recipient's account typically within 30 seconds.

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

Payments can be made to any credit or debit card, 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 payroll teams** – freeing up extra days in monthly payroll cycles – and **for finance teams**, by keeping funds on balance sheets for longer to enhance cash flow management.

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. Here's how...

Employers save time on the payment cycle and employee set-up. More specifically, three extra days buffer each month – a significant efficiency benefit.

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

And with the increased accuracy of card payments, less time is spent on missing payment queries. Together, this improves cash flow management for finance teams, and reduces stress for both them and their payroll colleagues.

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

The difference? The set-up is quicker for new employees with far fewer problem payments. If an advance or off-cycle payment is required, this can be made instantly.

\$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

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.

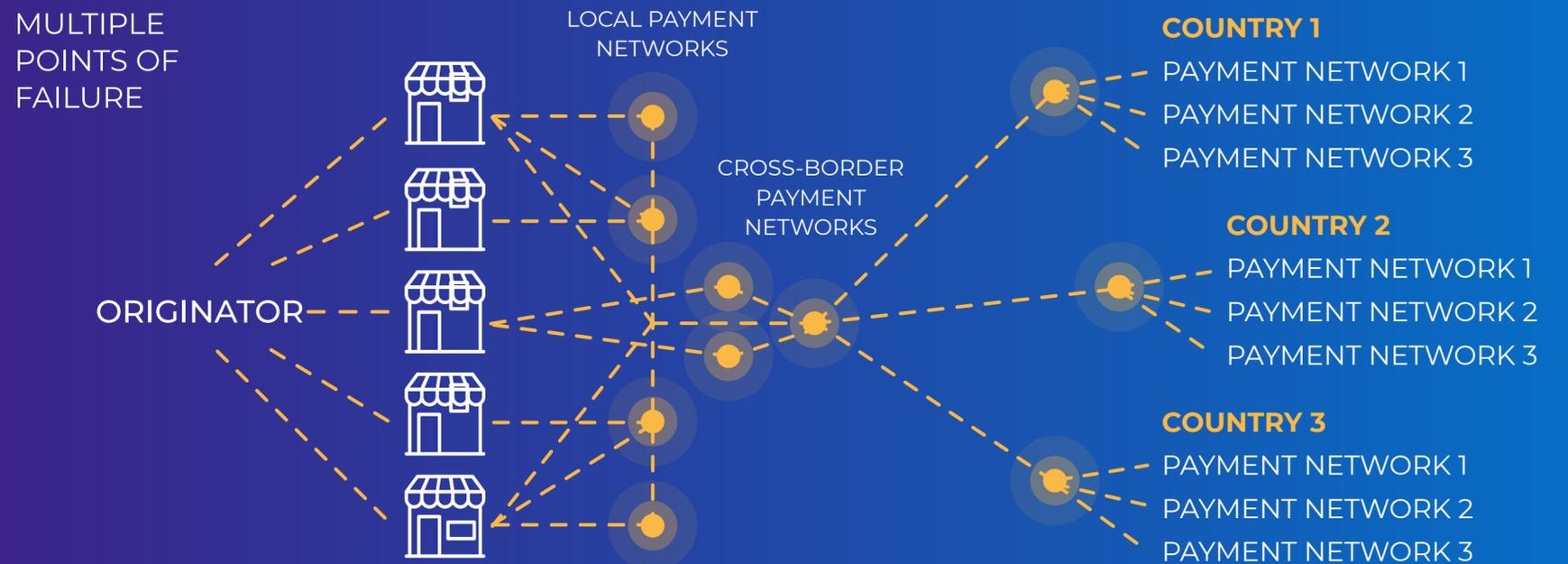
With it, employers now have a choice of payment methods; a choice to elevate the employee experience and turn pay from an operational function into a business advantage, using an instant payment system that is fast, flexible and certain.

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.

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 straightforward process designed to be fast, flexible and certain. .

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.

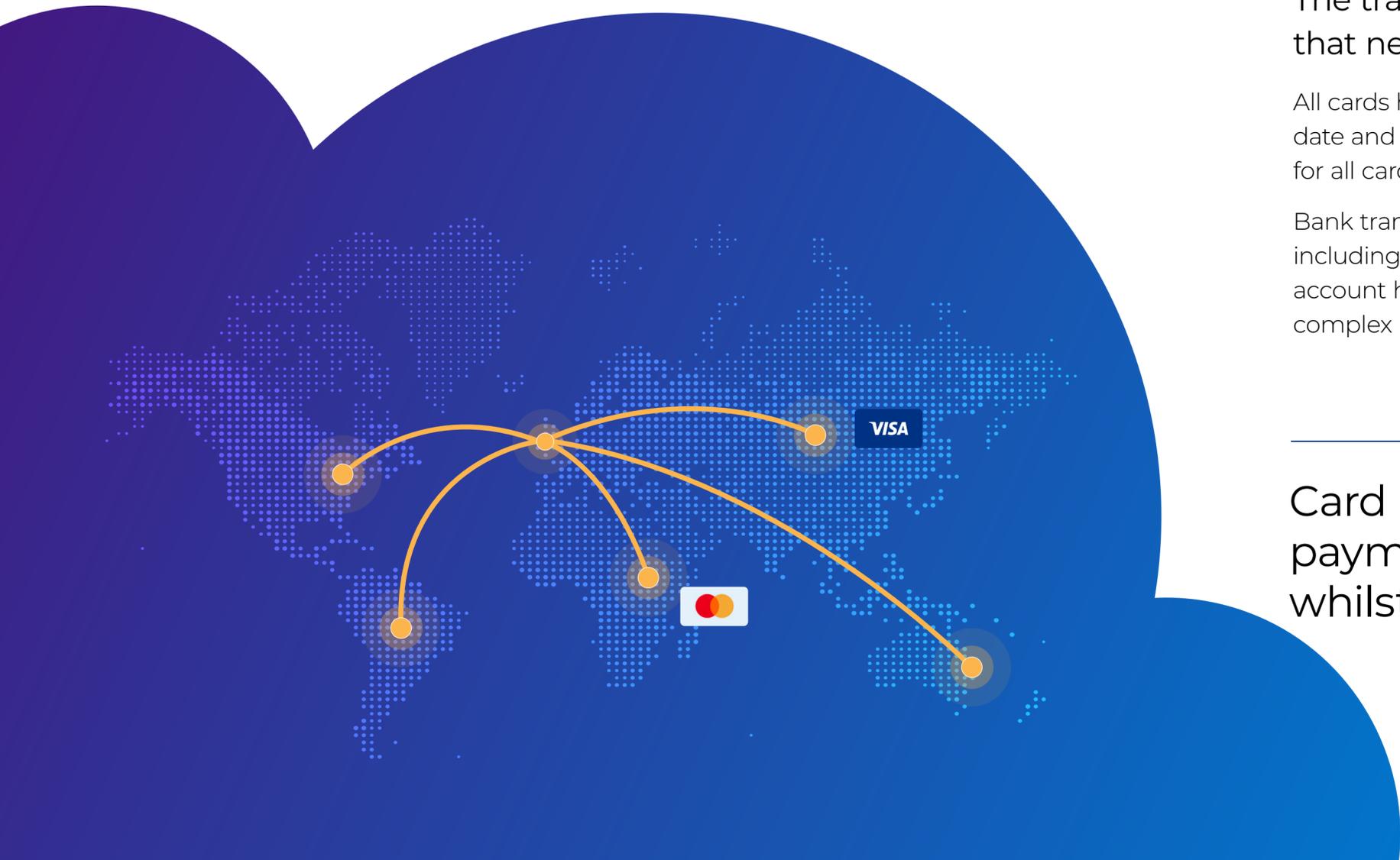
Bank transfers require a range of information including, account numbers, sort codes, account holder names and addresses. It's a complex process that is difficult to trace.

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]

Card rails deliver simpler, faster and more accurate payment solutions for international transactions – whilst enhancing payroll and employee experiences.



ORIGINAL CREDIT TRANSACTION TO DEBIT OR CREDIT CARDS

As everyday consumers, 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 has the 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 global card rails system.

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.

For payroll and finance teams, that means funding to suit every country and currency – helping to flexibly manage cash flow, lower FX costs, reduce risks and accelerate payroll processing. All with effortless certainty.



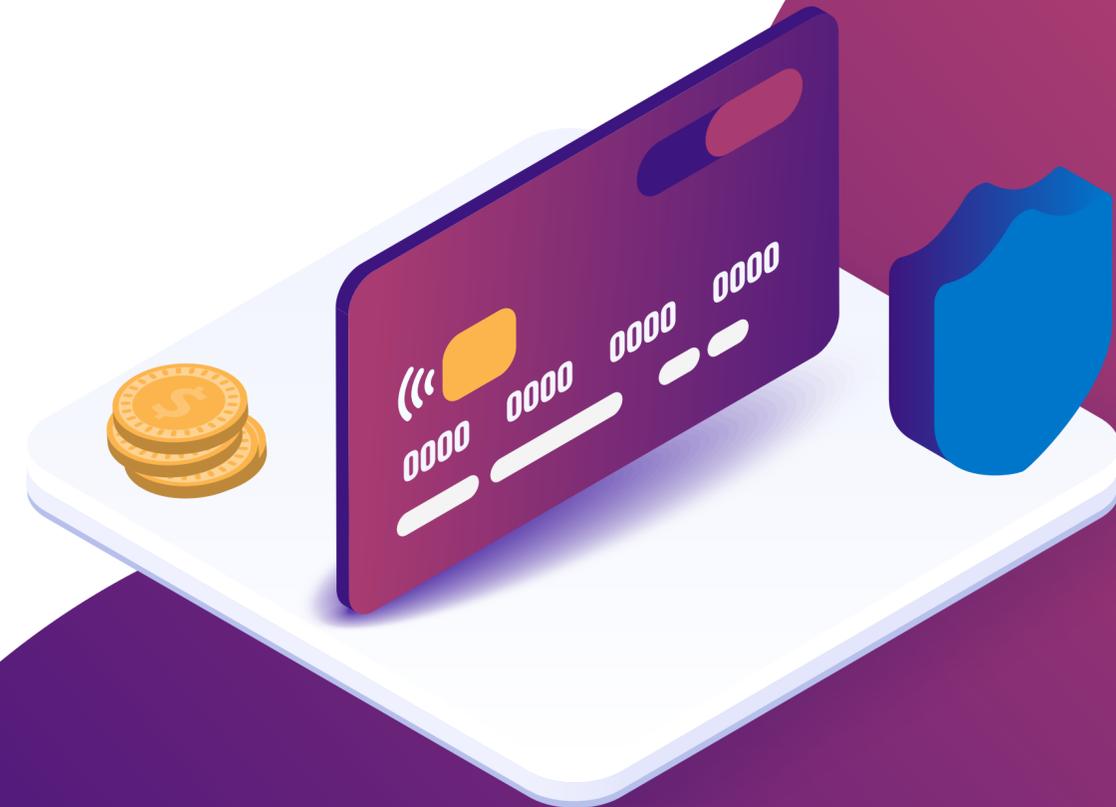
24/7 payments



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. Multiply that by thousands of employees, however, and it can take weeks to set up an entire workforce's bank payments.

And once those payments are set up, payroll then has to contend with traditional bank transfers, which are prone to errors. Transactions can fail for several reasons – from naming inconsistency on paperwork (such as a maiden-to-married name) to incorrect payee addresses and referencing information.

Employers can, of course, put a trace on a payment. But this takes several days, during which time both employees and employers are frustrated. The transaction is then 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.

Finally, bank payments can only be processed within normal banking hours. So, Monday - Friday, 9-5. If you want to make a payment via SEPA on a Friday at 6 pm, for example, it won't arrive in the employee's bank account until the following week. 6pm, it won't arrive in the employee's bank account until the following week.

Finance and Payroll teams have to contend with multiple points of failure along the bank payment route

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. For Finance and Payroll teams, it's a new standard of fast, flexible and certain payment option that delivers a superior experience for all.

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EMPLOYEE EXPERIENCE

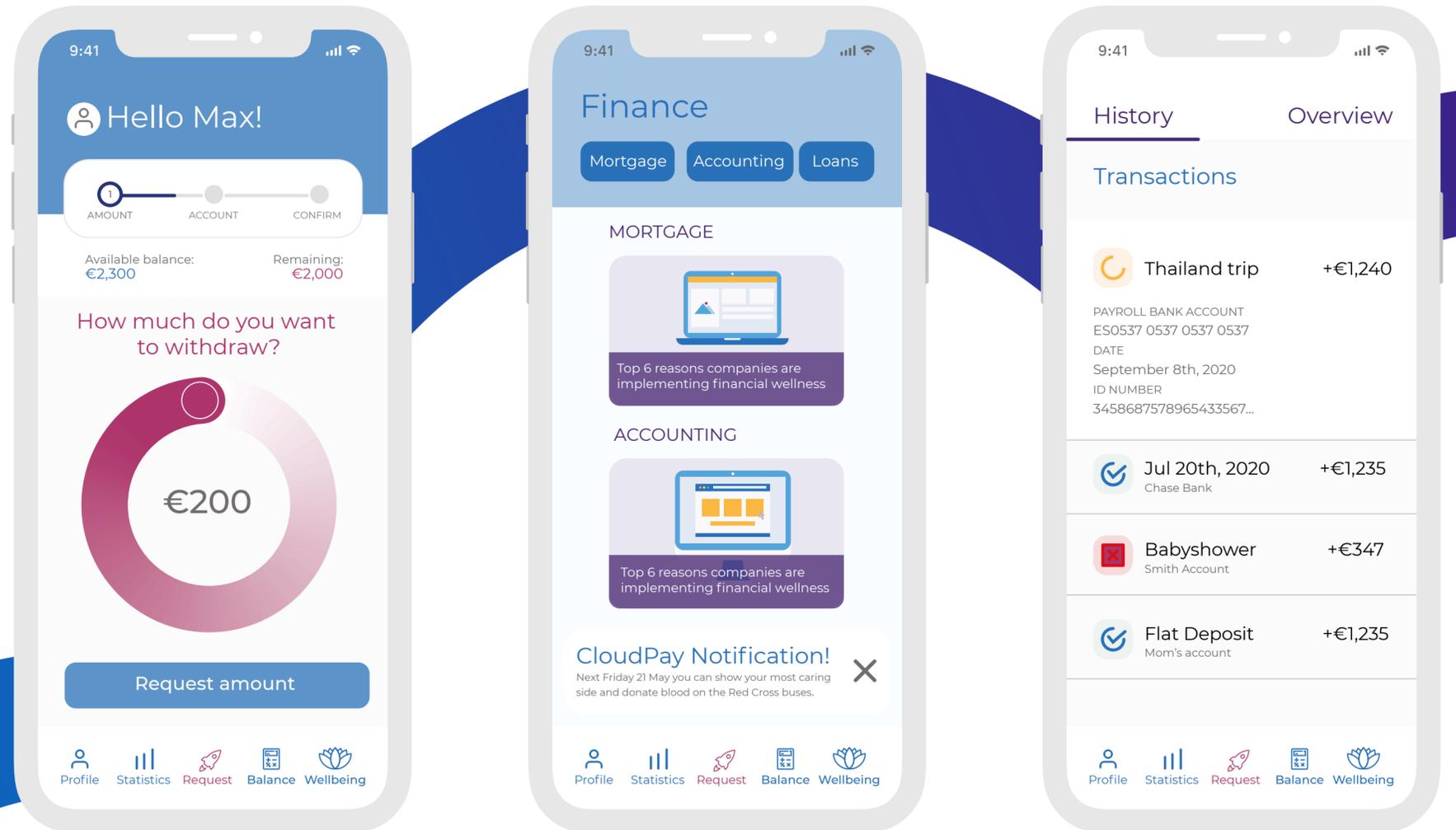
Progressive employers have their employee experience front of mind. It's about attracting and retaining talent.

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.

Today's employees want transparency with their salary. They want to know how much they've earned; what funds they'll have access too, and when. They want to be in control of their payment cycles – deciding on whether to be paid tomorrow or next week. Ultimately, they want transparency between pay cycles.

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 – giving them the access and transparency they want, to control what they need.

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 – Clearing 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

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