

A Business Owner's Guide to

Saving Money on International Payments



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Making it easier to do business with the world

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How currency markets impact your international payments

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Your 60-second guide to making more money on international business

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THE WHY

Making it easier to do business with the world

The digital connectivity we all have today means it's easier than ever to run a global business. From creatives selling homemade goods on Etsy, businesses selling through Amazon Marketplace to freelancers working with companies overseas to manufacturers importing and exporting high volumes of goods, our market of potential suppliers and customers is confined only by our imagination.

For small and medium sized businesses, working with suppliers, staff or customers overseas, however, means you need to do a fair amount of homework. As well as understanding local idiosyncrasies and customs, you need to get yourself well acquainted with local demand, delivery and trends.

And then there's the money side of things. In business, every dollar matters and, if you're working domestically, it's simple. The business that's selling the goods has a price, the person buying pays that price. Easy.

When operating globally, it's much, much more difficult. For starters, you've got currency fluctuations to consider. One month you might sell something for \$100, the next you receive \$90 for the very same thing. It all depends on the value of the currency that day, and a percentage point here or there quickly adds up.

And then there are the bank fees for making an international transaction to consider – banks generally charge significant fees for sending and receiving overseas currency, and rarely offer market-leading exchange rates either.

All up, foreign exchange rates and bank transaction fees can add a huge variable and a hefty expense to the cost of doing business – and significantly impact your bottom line.

If you're a small business using a regular bank to trade globally, it's likely you're leaving a lot of dollars on the table for the bank to scoop up. It's far better being in your bank account, surely?

This eBook will give you the information you need to know to save money on international payments, right now.

We will cover

- Why you should care about currency markets
- How small businesses in Singapore save money on importing and exporting, featuring real case studies
- What tools can help you to do it yourself



THE WHAT

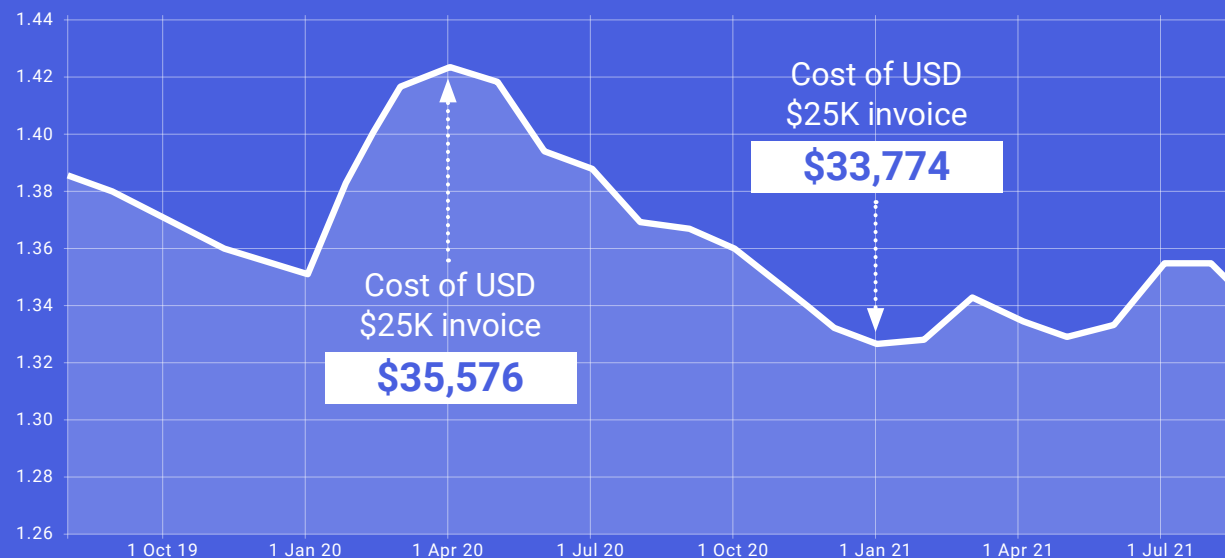
How currency markets impact your international payments

You may be asking yourself, 'why should I care about international payments?'. You may be thinking, 'I'm just a small business, surely it doesn't matter that much?'

The simple answer is this: get it wrong, and it costs you an awful lot of money. If you just take the exchange rate your bank is offering at the time you need to make a transaction – and pay a transaction fee on top of it – you may find yourself paying your bank a lot of money that by rights is yours.

Banks thrive off being the 'default' because you know them. They focus on a range of other products like business banking, loans and credit cards. But for international money transfers, they're charging an unnecessary truckload. You'll get charged a fee from your local bank, then the international bank, and on top of that, you'll be given a terrible exchange rate. There's got to be alternatives, right?

USD / SGD Volatility



Why currency markets fluctuate

First and foremost, it's good to get an understanding of why currency valuations shift.

Economic data releases

There are a range of data releases which indicate the health of an economy such as retail sales figures, non-farm payrolls, GDP and labour market data. Currencies will strengthen or weaken based on how far they beat or miss forecasts by.

Politics

Political shake-ups and economic adjustments by governments may bring uncertainty and volatility to exchange rates. For instance, the US Elections and UK's vote to leave the EU.

Commodities

Countries dependent on the export of a commodity can dictate the price of a currency. That's the case for Brent oil and Canada, the world's fifth largest producer of crude.

MAS

Singapore is heavily dependent on trades and foreign investments, which is why the SGD is closely monitored by the Monetary Authority of Singapore (MAS), and is only allowed to fluctuate within a certain policy band.



Traditional bank transfers in a nutshell

Many small business owners use their banks to make and receive international payments – and it's easy to understand why. Dealing with the bank is a known process and keeps transactions in line with domestic activity.

But, here's the thing: using your bank to process international transactions could be costing you a serious amount of money. Why?



Exchange rates

The exchange rate that a bank will offer you is generally a lot lower than you can get through an FX specialist. That's because they build in their margin to the exchange rate. The margin a bank charges can be up to several percent. Comparatively, international payments business WorldFirst charges up to 0.30 percent on major currencies.



Speed

A bank-to-bank international transaction can take days, rather than hours.



Fees

Banks generally charge a transaction fee for international transfers; combined with a lower exchange rate, you're getting hit with a double whammy. WorldFirst transactions have a standard fee of SGD \$10 for all transfers.





“I now transfer money globally with possibly the lowest FX rates. The service is amazing. Very convenient, safe and reliable.”

Andrew Chan, CEO, The Soup Spoon

“WorldFirst saves us the transaction fee involved in transferring money from A to B. [They are] able to provide us with all the different virtual bank accounts for the different countries to collect our payments in different currencies, all on the one platform.”

Ivan Ong, co-founder, KeaBabies



THE HOW

Your 60-second guide to making money on international business

Here are 5 things small and medium-sized businesses should consider when making international payments:

1. Cost

How much is it going to cost to simply do business overseas?

Importing: Save on international supplier payments.

Exporting: Bring home more overseas revenue.

2. Speed

Will the money arrive at its destination quickly, or will it disappear into a 'banking black hole' for a few days?

Importing: Make payments on time to ensure goods are released and/or relationships are maintained.

Exporting: Receive money as quickly as possible to help cash flow.

3. Security

Is the transaction secure? Will it definitely get to where it's supposed to?

4. Volatility

How much money will I lose – or pay – if there's volatility in my currency pair?

Importing: Protect business profit when local currency weakens.

Exporting: Protect business profit when local currency strengthens.

5. Ease

Save time managing foreign exchange transfers – focus on running your business! Look for a great online platform backed with local account support.



Fee
Fixed \$
amount



Margin
The % between a
provider's buy rate
& your customer
exchange rate



Total Cost
of FX payment



Hitting you in the pocket: why getting a good rate is so important

Importing: A Singaporean manufacturer is paying a US supplier an invoice for USD \$50,000.

Value of transaction: USD \$50,000	Typical bank	WorldFirst
Exchange rate offered (including margin)	1.3556	1.3508
Other fees	SGD \$104.73	SGD \$10
Time for payment to be received	Can take a number of days	Hours
Total to pay	SGD \$67,884.73	SGD \$67,550
Potential saving		SGD \$334.73

Interbank rate: 1.3467. Sample rates taken on: 17 September 2021

Exporting: A Singaporean business is selling in the US and wants to transfer sales of USD \$100,000 back home.

Value of transaction: USD \$100,000	Typical bank	WorldFirst
Exchange rate offered (including margin)	1.3360	1.3415
Other fees	SGD \$10	N/A
Time for payment to be received	Can take a number of days	Hours
Total received	SGD \$133,590	SGD \$134,150
Potential extra revenue		SGD \$560

Sample rates taken on: 17 September 2021

Note: The interbank rate is the rate banks trade at with each other, usually in the hundreds of millions. This is the rate you will see on Google or the news, but is not the rate a businesses will typically achieve when making an international payment.



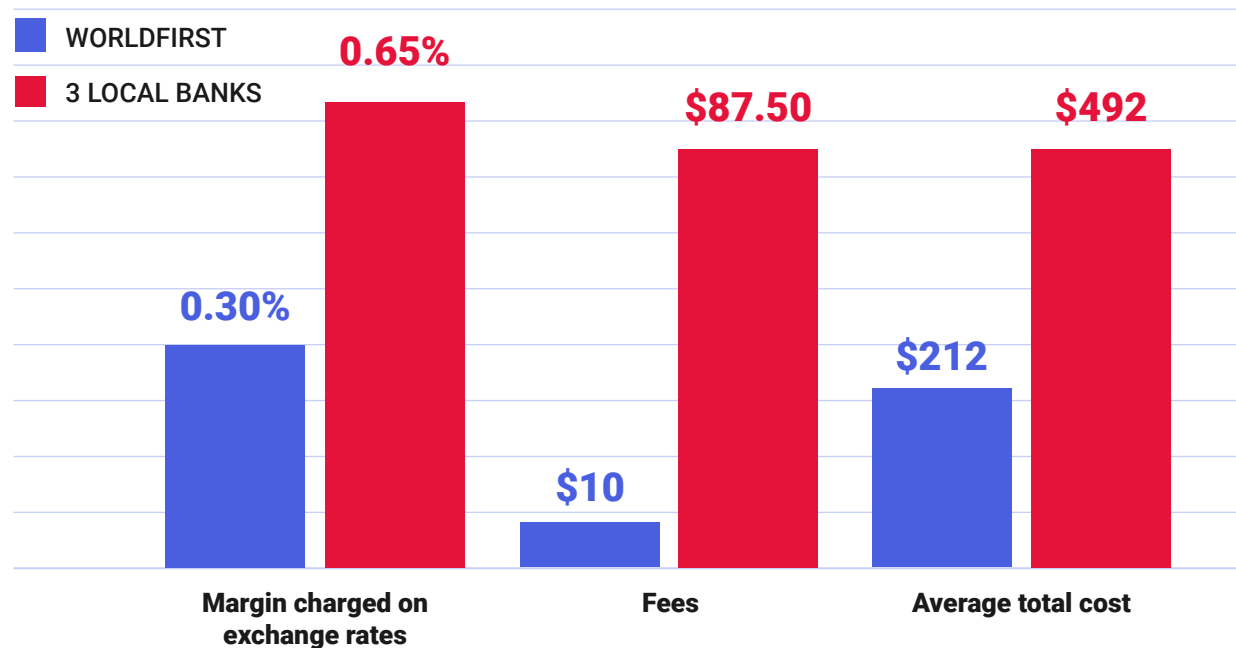
Inside knowledge: How banks make money from foreign exchange transactions

Banks typically build in a margin to the exchange rate they offer – a small ‘transaction fee’ is usually charged too. However, their real profit lies in their margin. It’s not transparent, so it’s easy to assume you’re getting a good deal, but the margin they are building into the exchange rate (sometimes up to several percent) can significantly increase the amount of money you spend if you’re sending money overseas – or reduce the money you receive if you’re being paid.



Average cost of transferring \$50K USD/SGD in August 2021

The comparison savings are based on single transfer of SGD \$50,000 to USD. Savings are calculated by comparing the exchange rate including margins and fees provided by each bank and WorldFirst on the same day 17/09/2021. The comparison savings provided is true only for the example given and may not include all fees and charges. Different currency exchange amounts, currency types, dates, times and other individual factors will result in different comparisons savings. These result therefore may not be indicative of actual savings and should be used only as a guide. WorldFirst does not guarantee its accuracy and it may be incomplete or condensed.



Hot tip: Set up accounts for collecting or making payments

WorldFirst's International Collections Account enables local merchants to do global business like a local by giving them access to currency accounts to collect overseas sales in local currency. This is an alternative to accessing a bank in the location you're selling, and can save you a lot of money in the long run. If you're the one making the payments, then you can do this through WorldFirst's International Payments Account, which offers the benefit of bank-beating exchange rates.

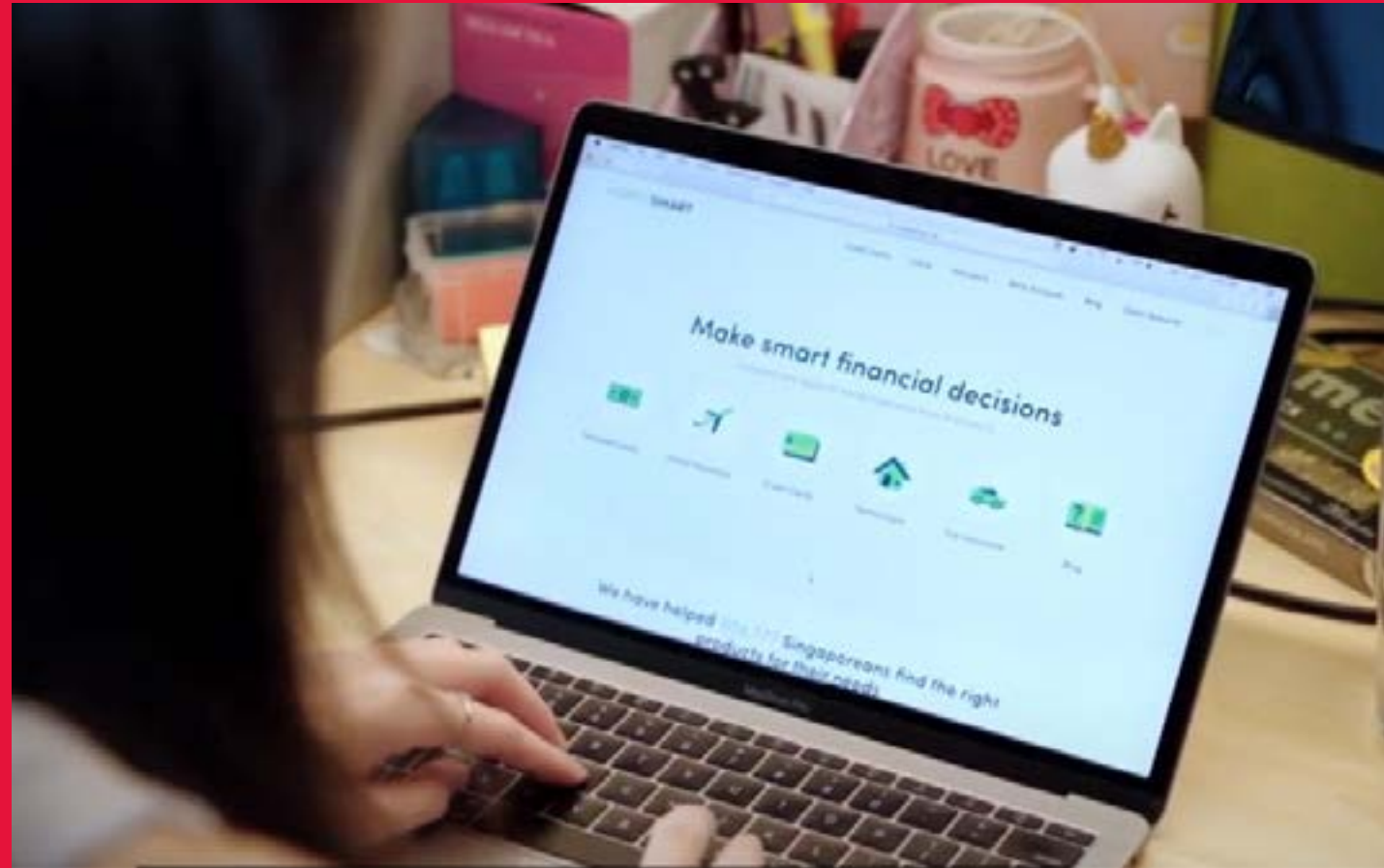


CASE STUDY

MoneySmart promotes making better financial decisions and leads by example

MoneySmart aggregates and consolidates financial products into one single portal for their customers. Originally starting life as a mortgage comparison company, their suite of offerings now covers loans, insurance and credit cards, empowering consumers to make smarter financial decisions.

“Overseas telegraphic transfers can be tedious and difficult,” says Zandra Chen, Group Accountant at MoneySmart. “The fees charged by banks are less straightforward and are sometimes higher. Hence we opted to use WorldFirst. So WorldFirst also helps in terms of improving the business workflow because it provides a one-stop platform for us to view past and upcoming trades.”



CASE STUDY

How Mighty Jaxx used WorldFirst to cut their transaction fees by half

What started as a hobby for the award-winning design studio has seen Jackson Aw, founder of Mighty Jaxx work with brands such as Warner Brothers, Disney and Nickelodeon to develop unique collectibles. After launching in 2012, Jackson realised there were many niche communities around the world interested in his products.

“We started collecting in US dollars because that’s predominantly our collectors’ [currency]. And when we collect US dollars in Singapore, that has to be converted to Singapore dollars. But subsequently we have to pay our vendors in China, who collect in US dollars,” says Aw.

“I think I saw one of these online transaction platforms and the bills that they are charging us for transacting different currencies and I was so shocked. I’ve tried to find a way to rectify that part, to go around different solutions and I think one of them was WorldFirst. And because of that, we have managed to year-on-year cut our transaction fees by half. WorldFirst makes it so seamless and simple for me to activate it.”

Mighty Jaxx now ships to over 60 countries.



CHECKLIST

Eight questions to ask your foreign exchange provider.

- What is my fixed fee for international payments?**
 - What is my margin, and does it change per transaction?**
 - How long have you been in business and how are you regulated? (If switching from a bank)**
 - How fast will my payments be?**
 - Do you have products to manage volatility?**
 - Do I get allocated a dedicated account manager?**
 - Is your online platform easy to use?**
 - What products do you have to support business selling in overseas markets?**
-





FAQs

Some of the most commonly asked questions from WorldFirst clients.

How secure is your platform?

Ensuring the safety and security of your money is central to our business. We comply fully with all relevant regulations and ensure your funds are appropriately segregated from business funds in line with requirements. We are required to hold sufficient capital to protect our business and further safeguard our customers.

Why do you charge a margin?

A margin is how foreign exchange businesses make money – without a margin there'd be no FX businesses.

What should I look for in a new foreign market?

From an FX perspective, you need to understand how accessible the local currency is – for example, currencies in countries such as Malaysia and the Philippines are heavily regulated and it's difficult to set up online to take local currency.

How are your exchange rates better than a bank's?

We offer lower fees and a better exchange rate making your international money transfers cheaper. Savings may be up to one percent of the amount being transferred. We try to cover

correspondent and receiving charges where we can.

Why should I bother using a dedicated FX company rather than my bank – it's just a lot of hassle, isn't it?

Quite simply, it can save you an awful lot of money – independent pricing data shows WorldFirst is up to several times cheaper than the banks. In terms of hassle – opening an account is quick and easy, it's free and there are no ongoing subscription costs.

What can I do if a currency is rising?

If a currency is rising you can book spot deals to take advantage right now, and also use market orders to lock you in at a certain point so you can benefit from a higher rate in the future.

What can I do if a currency is dropping?

If a currency is dropping you can book a forward contract at the current rate, securing that for up to two years.

Can I set an exchange rate for the future?

You can lock in a rate for up to two years in the future – this is a forward contract, and you'll need to pay an initial deposit and the balance will be due at the end of your contract.

There seem to be a few tools to manage currency but I'm not sure I have the time or experience to use them. What can I do?

With WorldFirst you get a dedicated account manager who can help you take full advantage of all of the tools we have available to maximise the return you get on FX.



FX

FX stands for foreign exchange – the trading of one currency for another.

Margin

A margin is the percentage difference applied on the internal buy/sell price of your currency. The higher your margin, the worse your exchange rate is. WorldFirst's margin on major currencies is up to 0.3 percent.

Fees

Banks usually charge a standard fee for sending money to or receiving from overseas. WorldFirst charges a fee of SGD \$10 for all cross-currency transfers. For same-currency transfers, a flat fee of up to USD \$20 applies.

Forward contract

A forward contract enables you to secure an exchange rate over a set period of time on a predetermined volume of currency – for example, you can lock in an exchange rate for up to 24 months, protecting you against any volatility.

Spot contract

A spot contract is the simplest form of international payment, whereby you're offered a rate based on the live market. With a spot contract, you can make a payment very quickly.

Firm order

A firm order is when you specify the rate you want to transact at – when that rate is available, your transaction takes place automatically.

GLOSSARY



Cheap, fast and secure international payments for your business



Save with bank-beating exchanges



Manage volatility with forward contracts



Transfer online 24/7 or via your dedicated account managers



Make payments in 68 currencies



Collect overseas sales in up to ten local currency accounts, integrated with Xero

WORLDFIRST

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