

Moving, moving, moving, keep that money moving

In her regular Compliance Corner column, **Celergo** chief, Michele Honomichl discusses money movement



There are so many aspects that need to be accurate when executing a successful payroll run. As payroll professionals we need to ensure we have the correct inputs for time, new hires, terminations, changes to pay, addresses, banking information and many others.

We combine all these details to calculate pay elements, compile proper pay slips and file accurate compliance documents. But ultimately the proof of a successful payroll run is employees actually getting paid, ie the correct amount of money in their accounts on the right day.

Seems like a no brainer, right? In most cases, the funding component of the payroll process executes flawlessly. But in other cases, money movement may be the most complex part of the process.

Global complexities

In the last 15 years banking has become both simpler and more complex at the same time. In some cases, this process has become more straightforward. For example, the European Union implemented a new payments transfer practice called Single Euro Payments Area (SEPA). Currently banks in 28 countries that transact Euros now use this process to move money in a less expensive and more efficient manner across the Euro Zone. But in other cases payments have become more complex.

Several countries have currency or compliance restrictions, which require companies to pay employees directly from a local company controlled bank account in local currency. In some cases, like Angola, employees in the past could be paid in US Dollars (USD) or Kwanza (AOA). Angola has passed legislation that requires companies now to pay all employees in AOA, which is not a commonly traded currency.

Japan and Mexico require payments for withholding taxes to be paid from locally controlled company bank accounts and not by a payroll provider or from a company bank account at headquarters.

Qatar recently required companies to make payments to employees utilising a wage protection scheme (WPS) similar to the United Arab Emirates (UAE) for all companies not registered in the Qatar Financial Center (QFC) or the Qatar Science and Technology Park (QSTP). This requires companies to have locally controlled bank accounts in country to make payments, often switching from using a payroll provider for payments. If you are funding from headquarters into these local company accounts to meet the payroll funding date, you must ensure you have enough time for the international transfer to settle. Since some locations just take extra time.

Country to country payments

If you need to transfer funds from one country to another to make payroll, some transfers require a long lead-time. For countries like Taiwan and Korea, the funds have to clear government banking institutions, which may sit on the funds from five to eight days prior to releasing them to the companies' local bank account.

Also, intra-country transfers can take many days to post transactions. For example, in the US, an ACH moves money overnight, whereas BACs in the UK requires two nights to transfer funds, but locations like Japan, intra-country transfer need five days.

Always ensure that you have tested funding timing for both getting money into a particular country and how many days you need to release it prior to pay date in any new location.

Banking processes

Some countries have more difficult banking environments than others. In some of the developing world, funds often need to be sent through an intermediary bank, which adds time to the transfer and complexity. Many financial institutions require beneficiary addresses, which do not exist in certain countries.

In other cases, one global bank may use a different intermediary bank than another global bank, so if you switch banks, the transfers you have been making for years may not execute properly. This is because the new global bank uses a partner intermediary that needs additional or different information than your last banking partnership. These are all complexities that need to be considered as a part of the banking process for payroll.

Banking compliance

Finally, there has been an ever-increasing push to ensure compliance in the banking process. Banks are required to follow the know your customer (KYC) processes for anti-money laundering (AML) regulations not only at the corporate level, but often at the beneficiary level too.

Banks have huge compliance programmes that are checking adherence to a myriad of global regulations on bribery, terrorism, and other political concerns. Mundane transactions may be at risk if a receiving bank is suddenly put on a watch list, or a country gets added to the Office of Foreign Asset Control (OFAC) list, or employees have birth countries or home addresses in suspect locations. Any of these issues can flag a payment and create a compliance issue, which will not only affect that specific payment going to a particular individual, but also may cause an entire group of payments to be suspended.

It is important to be aware of compliance requirements affecting your banking relationships to ensure your internal compliance mirrors the banks' programmes to ensure smooth, on-time transactions.

Check, check, check!

As yourself if you are covered on all of these points. There will always be situations we all cannot control, namely nature, national strife and human error. Just when everything else in the payroll process executed flawlessly, a hurricane, mudslide, civil war, bad keystroke, political panic, or heavy rain can stop the funding process from moving, moving, moving - cold. ■