

Executive Guide: Understanding the Hidden Costs of Global Payments



Introduction

International payments costs are often viewed as straightforward operational expenses. A supplier invoice is approved, a payment is sent, and the transaction is considered complete. In reality, the cost of moving money across borders is layered, inconsistent, and frequently opaque.

Many businesses focus only on the quoted exchange rate or transfer fees without recognizing that there might be additional costs embedded throughout the payment journey. These hidden costs can materially impact profitability, supplier relationships, forecasting accuracy, and treasury efficiency - especially for organizations operating across multiple currencies and jurisdictions.

This executive guide outlines the potential cost components of foreign currency payments, explains how pricing is determined, and highlights the operational considerations finance leaders should evaluate when managing international transactions.

The Real Cost Components of a Foreign Currency Payment

Cross-border payments involve more than a simple transfer fee. Costs can emerge at multiple stages of the transaction lifecycle.



1. FX Conversion Costs

The most significant cost component is typically foreign exchange conversion.

Financial institutions typically don't price the 'middle market' exchange rate - the midpoint between the buy and sell price of a currency. Instead, providers add a markup or 'spread' to generate revenue.

For organizations making frequent smaller international payments, these spreads can accumulate into substantial annual costs.

2. Transmission Costs

The method used to send funds also affects pricing.

Common payment methods include:

- International wire transfers
- ACH or direct debit systems
- Local clearing rails
- Real-time payment networks

Wire transfers are typically faster and better suited for high-value transactions but often carry higher fees. ACH and local payment rails may reduce costs but can involve longer settlement times.

The choice of payment rail directly affects both cost and operational efficiency.

3. Bank Processing and Maintenance Fees

Many providers charge administrative or account-related fees beyond transaction pricing.

These may include:

- International payment processing charges
- Monthly account maintenance fees
- Platform access costs
- Fees for maintaining foreign currency accounts
- Minimum balance requirements

4. Intermediary Bank Fees

Cross-border payments often move through intermediary or correspondent banks before reaching the beneficiary.

Each intermediary can deduct fees during processing.

Hypothetical Scenario

A payment from Singapore to a supplier in South America may route through multiple banking institutions before settlement. Each 'stop' in the payment chain can reduce the final amount received by the beneficiary.

This creates unpredictability for both senders and recipients.

Thinly traded currencies often involve more intermediary banks, increasing both cost and processing complexity.

5. Lifting Fees and Receiving Bank Charges

The recipient's bank may also deduct fees when processing incoming international payments. These can include:

- Incoming transaction fees
- FX conversion charges
- Local settlement costs

Hypothetical Scenario

A supplier expecting a \$50,000 payment receives only \$49,600 after intermediary deductions and receiving bank charges.

The supplier may then request that the sender absorb the difference, creating friction in the commercial relationship.

How International Payment Costs Are Determined

Cross-border payment pricing is not fixed. Costs vary based on multiple operational and market factors.

Transaction Volume

Larger payment volumes generally receive tighter FX spreads and more favorable pricing structures.

Businesses with low transaction volumes often pay higher conversion costs because providers apply wider spreads to smaller transactions to cover costs and generate revenue.

Currency Liquidity

Frequently traded currencies such as USD, EUR, and GBP typically have lower conversion costs.

Emerging market or less liquid currencies may involve:

- Wider FX spreads
- Reduced pricing transparency
- Higher intermediary fees
- Longer settlement paths

Payment Method and Speed

Urgent payments typically cost more.

A same-day or next-day international wire may carry higher fees than a standard local settlement route that takes several business days.

Organizations must balance cost, speed, and operational urgency when selecting payment methods.

Provider Pricing Models

Not all providers structure pricing the same way. Some institutions offer 'teaser' rates or highly competitive initial FX pricing before gradually widening spreads over time.

Others bundle fees into the exchange rate itself, making the true cost difficult to identify.

Some banks also rely on third-party intermediaries for FX execution, adding additional layers of pricing.

Why Cost Visibility Matters

Many organizations underestimate the cumulative impact of payment inefficiencies. Small percentage differences in FX pricing can create major annual

expenses when applied across:

- Supplier payments
- Payroll
- Vendor settlements
- Treasury transfers
- Global procurement

Limited visibility also affects forecasting accuracy and creates operational uncertainty for finance teams.

Questions Finance Leaders Should Regularly Ask

Organizations should periodically evaluate their international payment infrastructure and provider relationships.

Key questions include:

- What FX spread is being applied?
- Are fees transparent or embedded?
- How many intermediaries are involved?
- Are there maintenance or minimum balance fees?
- Are payment rails aligned to transaction size and urgency?
- Are same-currency settlement options available?
- Have transaction volumes changed enough to renegotiate pricing?
- Are costs reviewed at quarter-end or year-end accounting periods?

Regular reviews become especially important as business volumes, markets, and payment needs evolve.

Exploring Alternative Payment Structures

Businesses today have more options than traditional international wires. Alternative approaches may include:

- Same-currency settlement arrangements
- Alternative currency arrangements
- Local collection accounts
- Multi-currency wallets
- Regional payment rails
- High-value versus low-value clearing systems

The right structure depends on transaction volume, geographic footprint, currency requirements, and treasury priorities.

Organizations that actively optimize their cost frameworks often reduce both operational friction and overall FX costs.

Conclusion

The cost of international payments extends far beyond a transfer fee or quoted exchange rate.

FX spreads, intermediary deductions, account maintenance fees, payment routing, and settlement methods may all influence the true cost of moving money globally.

For finance leaders, understanding these components is no longer optional. As cross-border commerce becomes increasingly central to global business operations, payment cost transparency and FX efficiency are becoming strategic priorities rather than back-office concerns.



Glossary of Terms

Terms	Definition
ACH	Automated Clearing House; a low-cost electronic payment system
Correspondent Bank	A bank that facilitates transactions between banks in different countries
FX Spread	The markup added to the market exchange rate
Intermediary Bank	A third-party bank involved in routing international payments
Lifting Fee	A fee deducted by the receiving bank, typically charged to the payee
Mid-Market Rate	The midpoint between buy and sell currency prices
Multi-Currency Account	An account that can support multiple currencies
Payment Rail	The network or system used to move funds
Settlement	The completion of a payment transaction
Wire Transfer	An electronic transfer of funds between banks



Corpay.com

"Cambridge Global Payments" and "AFEX" are trading names that may be used for the international payment solutions and risk management solutions provided by certain affiliated entities using the brand "Corpay". International payment solutions are provided in Australia through Cambridge Mercantile (Australia) Pty. Ltd.; in Canada through Cambridge Mercantile Corp.; in the United Kingdom through Cambridge Mercantile Corp. (UK) Ltd.; in Ireland and the European Economic Area through Associated Foreign Exchange Ireland Ltd.; in Jersey through AFEX Offshore Ltd.; in New Zealand through Corpay (NZ) Limited; in Singapore through Associated Foreign Exchange (Singapore) Pte. Ltd. and in the United States through Cambridge Mercantile Corp. (U.S.A.). Risk management solutions are provided in Australia through Cambridge Mercantile (Australia) Pty. Ltd.; in Canada through Cambridge Mercantile Corp.; in the United Kingdom through Cambridge Mercantile Risk Management (UK) Ltd.; in Ireland and the European Economic Area through AFEX Markets Europe Ltd.; in Jersey through AFEX Offshore Ltd.; in New Zealand through Corpay (NZ) Limited; in Singapore through Associated Foreign Exchange (Singapore) Pte. Ltd. and in the United States through Cambridge Mercantile Corp. (U.S.A.). Please refer to <http://cross-border.corpay.com/disclaimers> for important terms and information regarding this brochure.