

International Money Transfers

IBAN

What is it?

IBAN stands for International Bank Account Number and is always used in conjunction with a Bank Identifier Code (BIC). An IBAN is NOT a new bank account number. Existing sort codes and account numbers are retained and additional characters added to create a standard identifier that is known as an IBAN. When a cross-border payment is made in Europe, an IBAN is used to identify the account to which the payment should be made.

What does it look like?

The IBAN is a series of alphanumeric characters that uniquely identifies an account held at a bank. When an IBAN is printed in paper form it may be split into groups of four characters to make it easier to read. When an IBAN is processed electronically it must not contain blank spaces and must not include the word 'IBAN'.

How do IBANs work?

The beneficiary bank will recognise the payment as destined for that country from its country code. It extracts the domestic account number from the IBAN and uses it to pay the funds to the beneficiary's account. The use of an IBAN reduces errors and delays and improves the potential for Straight Through Processing (STP) of payments.

S.W.I.F.T / BIC

What is it and how does it work?

In order to ensure error-free identification of parties in automated systems, S.W.I.F.T. developed the Bank Identifier Code (BIC).

The Bank Identifier Code is a unique address which, in telecommunication messages, identifies precisely the financial institutions involved in financial transactions when transferring money between banks, particularly international transfers.

The code is 8 or 11 characters, made up of:

- 4 characters - bank code
- 2 characters - ISO country code
- 2 characters - location code
- 3 characters - branch code, optional ('XXX' for primary office)

Where an 8-digit code is given, you may assume that it refers to the primary office. As an example, Deutsche Bank is an international bank; its head office is based in Frankfurt, Germany. Its SWIFT code for its primary office is DEUTDEFF - DEUT identifies Deutsche Bank; DE is the country code for Germany, and FF is the code for Frankfurt.

Beneficiary Name

When making a transfer of funds, either locally or internationally, the beneficiary name is the name of the account holder to whom the funds are being transferred. Where property is being acquired, the beneficiary may be the solicitor who is acting on behalf of you.

Payment Reference

A payment reference is the description that will appear on the bank statement of the beneficiary once the transfer has been made. If payments are being made to third parties they may require a specific reference number or name to be quoted for easy identification.

Sterling-to-Sterling Transfers

Transfers within the UK may be made by CHAPS (Clearing House Automated Payment System) or BACS (Bankers Automated Clearing System) payments.

CHAPS

With Internet access you can transfer money to any other UK bank using CHAPS, provided you have the correct account information for the person you want to pay and the details of their bank. The funds will reach the recipient the same day they leave your account, although an exact time can't be given. The same thing applies to all CHAPS transfers that are received for you.

BACS

BACS payments are very similar to CHAPS payments but unlike the CHAPS payments they take 3 days to reach the recipient. As the BACS process is electronic, it removes the need to write cheques, which can be a costly process, subject to human error. Payments can be made much later in a business day, up to 9pm and are cleared within two business days to any bank account.

The fee for making a BACS or CHAPS payment is at the discretion of the bank through which the funds are transferred. BACS payments are generally FREE while CHAPS payments average at around £20 - £25 per payment. CHAPS payments, although quite costly are ideal if large amounts need to be transferred on the same day and without error.

International Transfers

Due to international money laundering regulations, international transfers need to be arranged through a bank or a foreign currency broker, who are required to monitor international transfers.

Foreign currency brokers are able to offer more competitive currency exchange rates than high street banks and other financial institutions by being able to buy currency at commercial rates that are not available to individual purchasers. They can achieve lower rates by buying their currency in bulk and from banks where they have well established and trusted relationships.

When Sterling needs to be transferred into a foreign currency, simply contact your foreign currency broker and they will provide you with the best exchange rate available at that point in time and a verbal contract will be completed over the phone. Alternatively you can CHAPS or BACS your sterling to the foreign currency broker who will sit on your money until the rates favour you, and then complete the contract.

Where foreign currency needs to be transferred back into sterling, the currency, for example, Euros, can be transferred to the currency brokers' Euro account and the equivalent Sterling amount will be transferred to your UK designated bank account. The ways in which this can be transferred will vary from country to country and bank to bank. However it is important to stress to the foreign bank that the funds must not be exchanged, just transferred. Otherwise you will suffer the banks rate rather than gaining that of a broker.

The time it takes to complete an international transfer depends on the currency being transferred. The foreign currency is only ordered from the bank once payment for them has been received from the client. US Dollars and Euros are generally returned to the broker on the same day that they are ordered while other currencies could take up to two days to be returned. The same applies to the receiving bank on the other side of the transaction.