

# Priority Payments

An overview

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# Priority Payments (Wired Transfers)

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## What are Priority Payments?

Priority Payments or Wired transfers allow people in different geographic locations to easily transfer money to locales and financial institutions around the globe. For providing the service, banks collect a fee, sometimes based upon the size of the transfer being made.

When you do a wire transfer, your bank sends money electronically to another bank. The transfer is virtually instant, and these transfers are among the safest and most reliable transfers available.

Wire transfers originated in the 19th century, sent over telegraph lines. This process gave them their name *wire* as telegraphs were transmitted over wires.

## Priority Payments in Daily Life

-  Western Union Money Transfers - A wire transfer can be made from one bank account to another bank account or through a transfer of cash at a cash office, such as Western Union.
-  Any payment that needs to be transferred instantly i.e. with the minimum time delay can be done via a Priority Payment mode (RTGS is the term that is generally used in India).

## Participants in a Priority Payment

- 1) **Sender:** a person or institution wishing to send money to a person or an institution
- 2) **Receiver:** a person or institution receiving the money
- 3) **Sending Bank:** the bank approached by the entity wishing to do a transfer (sender)
- 4) **Intermediate Banks:** in order to transfer money from one entity to another, generally few intermediate banks are associated with a transaction
- 5) **Receiving Bank:** the body (bank) that finally receives the amount from the sender's bank

## Workflow

The following figure shows a generic workflow for a priority payment:

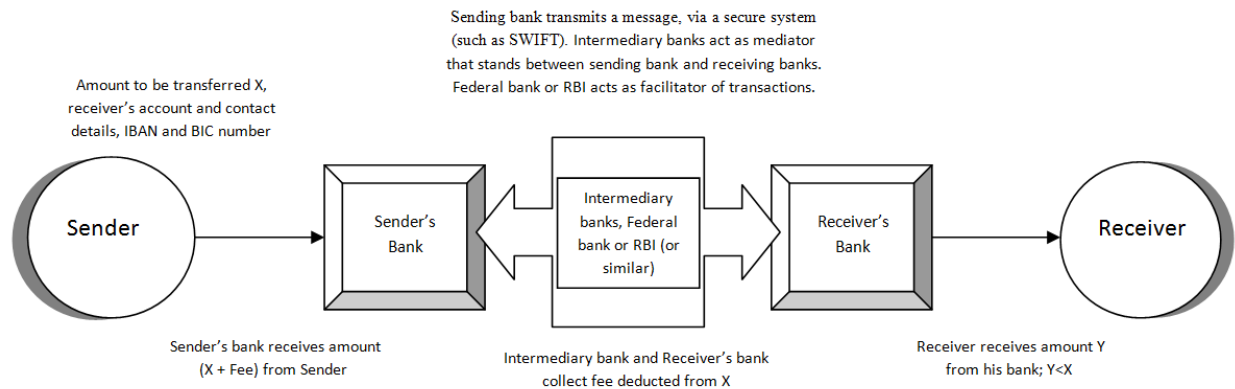


Figure 1: Workflow of Priority Payments

## Process

Bank wire transfers are often the cheapest method for transferring funds between bank accounts. A bank wire transfer is affected as follows:

- ✚ The entity wishing to do a transfer approaches a bank and gives the bank the order to transfer a certain amount of money. IBAN and BIC codes are given as well so the bank knows where the money needs to be sent.
- ✚ The sending bank transmits a message, via a secure system (such as SWIFT or FedWire), to the receiving bank, requesting that it effect payment according to the instructions given.
- ✚ The message also includes settlement instructions. The actual transfer is not instantaneous: funds may take several hours or even days to move from the sender's account to the receiver's account.
- ✚ Either the banks involved must hold a reciprocal account with each other, or the payment must be sent to a bank with such an account, a correspondent bank, for further benefit to the ultimate recipient.

Banks collect payment for the service from the sender as well as from the recipient.

The sending bank typically collects a fee separate from the funds being transferred, while the receiving bank and intermediate banks through which the transfer travels deduct fees from the money being transferred so that the recipient receives less than what the sender sent.

## Methods

### Retail money transfers

One of the largest companies that offer wire transfer is Western Union, which allows individuals to transfer or receive money without an account with Western Union or any financial institution.

Although Western Union keeps information about senders and receivers, some transactions can be done essentially anonymously, for the receiver is not always required to show identification.

There are other companies in Market like RIA Financial Services, Money Gram and LCC Money Transfer (based in Europe).

### International

Most international transfers are executed through SWIFT, a co-operative society founded in 1974 by seven international banks, which operate a global network to facilitate the transfer of financial messages. Using these messages, banks can exchange data for the transfer of funds between financial institutions.

### International Prepaid Cards

International prepaid cards are an alternative way for transferring funds. Companies can provide a debit card for worldwide employee's payments. The recipients don't need to have a bank account and can use the card in places that a debit card is accepted at Point-of-Sale or online and may withdraw funds in local currency at an ATM.

### Security

With bank-to-bank wire transfer, each account holder must have a proven identity. Information contained in wires is transmitted securely through encrypted communications methods.

Wire transfers done through cash offices are essentially anonymous and are designed for transfer between persons who trust each other. It is unsafe to send money by wire to an unknown person to collect at a cash office: the receiver of the money may, after collecting it, simply disappear.

SWIFT or IBAN wire transfers are not completely free of vulnerabilities. Every intermediate bank that handles a wire transaction can take a fee directly out of the wire payload (the assets being transferred) without the account holder's knowledge or consent.

In many places, there is no legislation or technical means to protect customers from this practice. If bank S is the sending bank and bank R is the receiving bank and banks I1, I2 and I3 are intermediary banks, the client may only have a contract with bank S and/or R, but banks I1, I2 and I3 can take money from the wire without any direct arrangement with the client. Clients are sometimes taken by surprise when less money arrives at bank R.

Contrast this with cheques, where the amount transferred is guaranteed in full and fees can be charged only at endpoint banks.

### SWIFT and IBAN

Each financial institution is assigned an ISO 9362 code, also called a Bank Identifier Code (BIC) or SWIFT Code. These codes are generally eight characters long. For example: Deutsche Bank is an international bank with its head office in Frankfurt, Germany, the SWIFT Code for which is *DEUTDEFF*:

- ✓ *DEUT* identifies Deutsche Bank.
- ✓ *DE* is the country code for Germany.
- ✓ *FF* is the code for Frankfurt.

Using an extended code of 11 digits (if the receiving bank has assigned extended codes to branches or to processing areas) allows the payment to be directed to a specific office. For example: DEUTDEFF500 would direct the payment to an office of Deutsche Bank in Bad Homburg. SWIFT deviate slightly from the standard though by using position nine for a Logical Terminal ID, making their extended codes 12 digits long.

European banks making transfers within the European Union also use the International Bank Account Number, or IBAN.

### Differences between ACH and Wired Payments

- ✚ In ACH, people get a direct deposit into their checking/savings account and there is no fee involved to receive the direct deposit.
- ✚ Wired transfer is a bank to bank transfer where both the sending bank and receiving bank will charge a fee in order to make the transfer possible.
- ✚ ACH are electronic transfers which go through the Automated Clearance House which takes several business days to complete.
- ✚ Wired transfers are done in a situation where money has to be sent quickly and can't wait for a 2-4 business days' process that ACH undergoes.

### Priority Payments in HSBCnet

HSBC provides banking solutions across the globe and priority payments are done when the customer wants:

- ✚ the fastest and most secure method of making international payments to any country in the world in any tradable currency
- ✚ to send higher value payments or the speed of delivery is the most important factor
- ✚ to send payments to lesser developed countries

A priority payment can be created using the HSBCnet in the following manner:

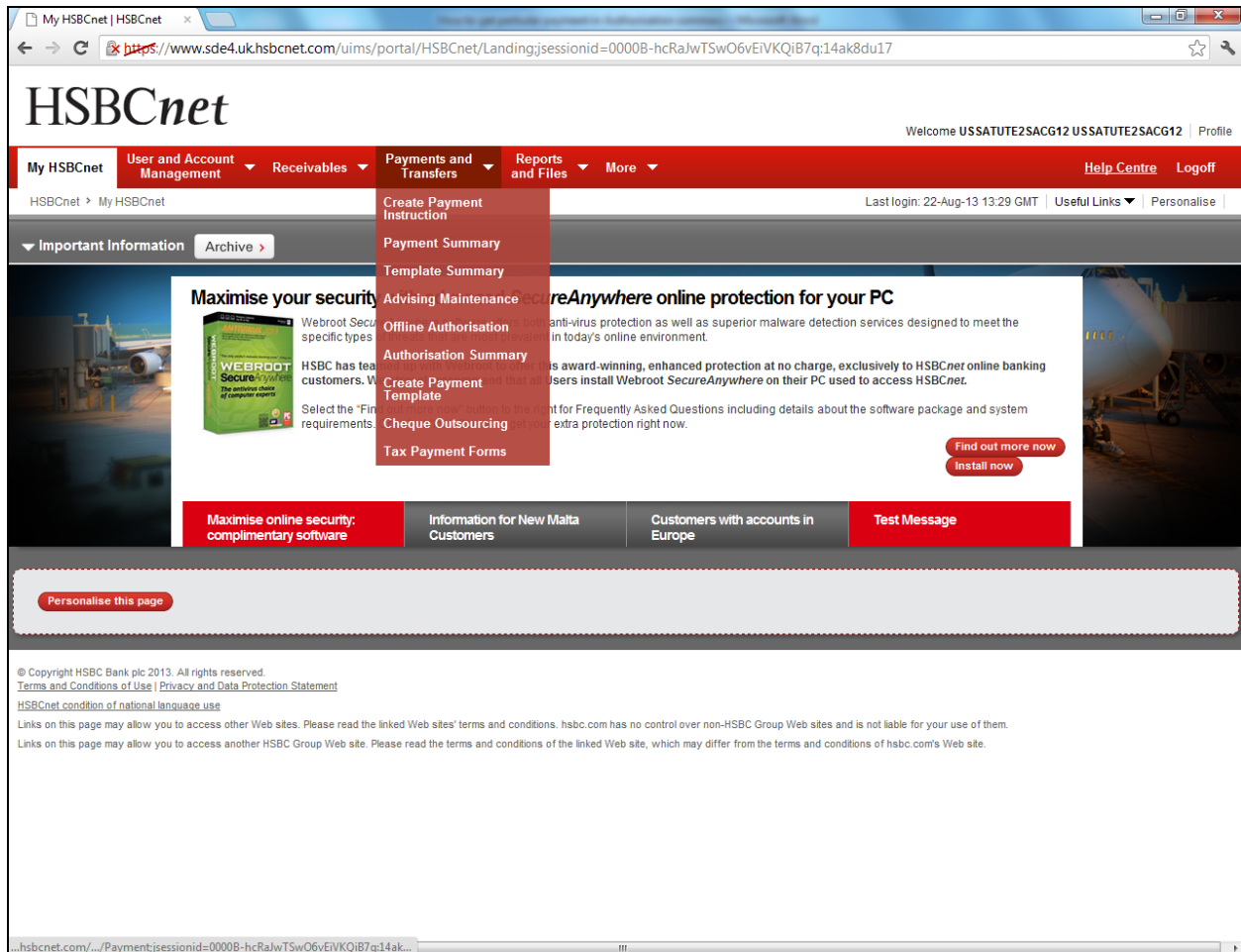


Figure 2: User log in and Priority Payment tab

User logs in with a valid HSBCnet user ID and click on Payments and Transfers tab.

**HSBCnet**

Welcome USSATUTE2SACG12 USSATUTE2SACG12 | Profile

My HSBCnet User and Account Management Receivables Payments and Transfers Reports and Files More Help Centre Logoff

HSBCnet > Payments and Transfers Last login: 22-Aug-13 13:29 GMT Useful Links Personalise

### Create Payment Instruction

Shows/Hide Preference Selection Show details

Allows you to choose the type of payment, the account to make it from, and the beneficiary location, depending on the payment type.

Payment type: Priority Payment

Beneficiary bank location: US - United States

Current account group: All Accounts Select account group

Debit/credit account: bn hbap 001-004308-001 BNHBAPCA001-004308-C Search

Create payment instruction Maintain favourite accounts

### Payment Summary

Enables you to enquire and action payment instructions listed by status. Subject to necessary entitlements, "Status Summary" columns provide enquiry functionality. "Pending Action Summary" columns provide Repair, Release, and Review functionality.

"Batch Authorisation" column provide Create and Manage batch functionality.

Current account group: All Accounts Select account group

Type	Status Summary	Batch Authorisation	*Pending Action Summary		
			Repair	Release	Review
Transfer	▶	▶	54 ▶	0 ▶	▶
Priority	▶	▶	220 ▶	0 ▶	▶
Eurozone	▶	▶	24 ▶	0 ▶	▶
ACH	▶	▶	879 ▶	0 ▶	▶
Tax Payment	▶	▶	1 ▶	0 ▶	▶
Cheque Outsourcing (COS) Batch	▶	▶	0 ▶	0 ▶	▶
In-country Cashier's Order (COS)	▶	▶	0 ▶	0 ▶	▶
Cross-border Cashier's Order (COS)	▶	▶	0 ▶	0 ▶	▶
Demand Draft (COS)	▶	▶	0 ▶	0 ▶	▶
Company Cheque (COS)	▶	▶	0 ▶	0 ▶	▶

### Authorisation Summary

Shows the number of payment instructions and restricted templates that require authorisation listed by payment type. You can view a list of the instructions and then authorise, reject or send them for repair.

Current account group: All Accounts Select account group

Type	Instruction	Restricted template
Transfer	263 ▶	10 ▶
Priority	978 ▶	475 ▶
Eurozone	57 ▶	0 ▶
Priority Payment Zengin	59 ▶	3 ▶
ACH	1196 ▶	273 ▶
ACH Transfer	152 ▶	14 ▶
Tax Payment	5 ▶	0 ▶
Social Security Payment	2 ▶	0 ▶
Cheque Outsourcing (COS) Batch	0 ▶	0 ▶
In-country Cashier's Order (COS)	0 ▶	0 ▶
Cross-border Cashier's Order (COS)	0 ▶	0 ▶
Demand Draft (COS)	0 ▶	0 ▶
Company Cheque (COS)	0 ▶	0 ▶
Up-country Cheque, Thailand (COS)	0 ▶	0 ▶
Corr Bank Cheque (COS)	0 ▶	0 ▶
Beneficiary list	0 ▶	
Advice resend	0 ▶	
Time deposits - new deposit	0 ▶	
Time deposits - maturity instruction	0 ▶	
Payment File - FLA	311 ▶	
Securities File	113 ▶	
Bill Payment	117 ▶	
Stop Cheques	0 ▶	
Payment File - LA	27 ▶	
All	3280	775

The numbers above are instruction counts at customer level.

If you are a smartcard user and you are asked to authenticate your smart card now, you will need to click the action

Figure 3: Create Payment Instruction tool

User selects Payment type as 'Priority Payment', Beneficiary bank location as required and the Account from which amount has to be deducted.



The screenshot displays the HSBCnet web application interface for Payments and Transfers. The top navigation bar includes links for My HSBCnet, User and Account Management, Receivables, Payments and Transfers, Reports and Files, and More. The user is logged in as USSATUTE2SACG12.

**Create Payment Instruction**

Shows/Hide Preference Selection | Show details

Allows you to choose the type of payment, the account to make it from, and the beneficiary location, depending on the payment type.

Payment type: Priority Payment

Beneficiary bank location: US United States

Current account group: All Accounts | Select account group

Debit/credit account: bn hbap 001-004308-001 BNHBAPCA001-004308-C

Link opens in a new window

Create payment instruction

Maintain favourite accounts

**Payment Summary**

Help

Enables you to enquire and action payment instructions listed by status. Subject to necessary entitlements, "Status Summary" columns provide enquiry functionality. "Pending Action Summary" columns provide Repair, Release, and Review functionality.

"Batch Authorisation" column provide Create and Manage batch functionality.

Current account group: All Accounts | Select account group

Type	Status Summary	Batch Authorisation	*Pending Action Summary		
			Repair	Release	Review
Transfer	▶	▶	54 ▶	0 ▶	▶
Priority	▶	▶	220 ▶	0 ▶	▶
Eurozone	▶	▶	24 ▶	0 ▶	▶
ACH	▶	▶	879 ▶	0 ▶	▶
Tax Payment	▶	▶	1 ▶	0 ▶	▶
Cheque Outsourcing (COS) Batch	▶	▶	0 ▶	0 ▶	▶
In-country Cashier's Order (COS)	▶	▶	0 ▶	0 ▶	▶
Cross-border Cashier's Order (COS)	▶	▶	0 ▶	0 ▶	▶
Demand Draft (COS)	▶	▶	0 ▶	0 ▶	▶
			0 ▶	0 ▶	▶

**Authorisation Summary**

Edit Help

Shows the number of payment instructions and restricted templates that require authorisation listed by payment type. You can view a list of the instructions and then authorise, reject or send them for repair.

Current account group: All Accounts | Select account group

Type	Instruction	Restricted template
Transfer	263 ▶	10 ▶
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ACH Transfer	152 ▶	14 ▶
Tax Payment	5 ▶	0 ▶
Social Security Payment	2 ▶	0 ▶
Cheque Outsourcing (COS) Batch	0 ▶	0 ▶
In-country Cashier's Order (COS)	0 ▶	0 ▶
Cross-border Cashier's Order (COS)	0 ▶	0 ▶
Demand Draft (COS)	0 ▶	0 ▶
Company Cheque (COS)	0 ▶	0 ▶
Up-country Cheque, Thailand (COS)	0 ▶	0 ▶
Corr Bank Cheque (COS)	0 ▶	0 ▶
Beneficiary list	0 ▶	
Advice resend	0 ▶	
Time deposits - new deposit	0 ▶	
Time deposits - maturity instruction	0 ▶	
Payment File - FLA	311 ▶	
Securities File	113 ▶	
Bill Payment	117 ▶	
Stop Cheques	0 ▶	
Payment File - ILA	27 ▶	
All	3280 ▶	775 ▶

The numbers above are instruction counts at customer level.

Figure 4: Creating a payment instruction

User clicks on 'Create payment instruction' button

Payments and Transfers | Create new Priority Payment

https://www.sde4.uk.hsb.net/uims/portal/GIBPaymentInput/P1;jsessionid=0000B-hcRaJwTSwO6vEIVKQiB7q:14ak8du177.pp=HSBCnet/Payment

# HSBCnet

Create New Payment | Create from template | Close

Payment Input > Create New Payment > Create new Priority Payment

My HSBCnet | Customer Support | Help

Note: Mandatory fields are marked with an asterisk(\*)

Create payment

## 1. Instruction details

Beneficiary bank location: United States

Debit account\*: bn hba01-004308-001 BNHBAPCA001-004308-001 (BND)

Payment amount\*: USD 100

Or equivalent to\*: BND

Value date (dd/mm/yyyy):

Set up recurring payments:

Charges\*: Shared

Reference for your account:

Note: If left blank, this field will be populated with the Bank's Instruction Reference Number.

## 2. Beneficiary bank details

Beneficiary bank identifier\*: SWIFT/BIC address AACMU541 Search

Specify bank name and address only\*: AAM COMPANY

Beneficiary bank address\*: SUITE 3500, 30, N LASALLE ST, 60602 UNITED STATES

## 3. Beneficiary details

US CHIPS UID\*: 000055 Search

Specify beneficiary name and address only\*: AARGAUSCHE KANTONAL BANK

Beneficiary name\*: AARGAUSCHE KANTONAL BANK

Beneficiary address\*: BAHNHOFSTRASSE 58, CH-5001 AARAU, SWITZERLAND

Beneficiary account number or IBAN:

Figure 5: Filling details in the create payment form

User fills the necessary details like the Beneficiary bank details and recipient's address

Payments and Transfers | Create new Priority Payment

https://www.sde4.ukhsbcnet.com/uims/portal/GIBPaymentInput/P1;sessionId=00008-hcRaJwTSwO6vEIVKQiB7q;14ak8du177.pp=HSBCnet/Payment

Beneficiary bank address \*

SUITE 3500  
30, N LASALLE ST  
60602 UNITED STATES

3. Beneficiary details

☒ US CHIPS UID \* 000055 Search

☐ Specify beneficiary name and address only \*

Beneficiary name \* AARGAUSCHE KANTONAL BANK

Beneficiary address  
BAHNHOFSTRASSE 58  
CH-5001 AARAU, SWITZERLAND  
CH-5001 AARAU, SWITZERLAND

Beneficiary account number or IBAN

Note: It is recommended that you use the full Beneficiary account number if available.

Advised by Please select At

4. Information for the beneficiary Show details

5. Instruction to bank Show details

6. Intermediary bank details Show details

7. Regulatory reporting Hide details

SWIFT codewords for Regulatory reporting

/BENEFRES/ Residence of beneficiary customer

/ORDERRES/ Residence of ordering customer

Regulatory reporting 1 Please select Please select

Regulatory reporting 2

Regulatory reporting 3 \* 10101 Search Clear

8. Advising Show details

9. Instruction code Show details

10. Exchange contract details Show details

Create payment

Figure 6: Submitting the details

User clicks on 'Create Payment' button on filling all the necessary details.

Payments and Transfers | Acknowledgement - Priority Payment

https://www.sde4.uk.hsb.net/uims/portal/GIBPaymentInput/P1?sessionId=00008-hcRaJwTSwO6vEIVKQiB7q:14ak8du177.pid=12633

# HSBCnet

Create New Payment | Create from template | Close

Payment Input > Create New Payment > Acknowledgement - Priority Payment (create) | My HSBCnet | Customer Support | Help

**Additional information**

- Value date is blank. Suggested value date is 28/08/2013. (GPA0003-PS)

**Instruction details**

New status	Pending review
Instruction reference number	15293US007OW

**1. Instruction details**

Payment Type	Priority Payment
Beneficiary bank location	United States
Debit account	bn hbap 001-004308-001 001-004308-001
Payment currency	USD
Equivalent to	USD 100.00
Rate	
Treasury reference number	
Value date or Date of first payment	
Charges	Shared
Reference for your account	15293US007OW

**2. Beneficiary bank details**

Beneficiary bank id	SWIFT/BIC address	AACMU541
Specify bank name only	AAM COMPANY	
Beneficiary bank address	SUITE 3500 30, N LASALLE ST 60602 UNITED STATES	

**3. Beneficiary details**

Beneficiary name	AARGAUSCHE KANTONAL BANK
Beneficiary address	BAHNHOFSTRASSE 58 CH-5001 AARAU, SWITZERLAND CH-5001 AARAU, SWITZERLAND
US CHIPS UID	000055
Beneficiary account number or IBAN	
Advised by	At

Figure 7: Acknowledgement

An acknowledgement is generated prompting the user upon successful creation of the payment instruction.

## **Glossary**

**RTGS** – Real Time Gross Settlement

**ACH** – Automated Clearing House

**IBAN** – International Bank Account Number

**BIC** – Bank Identifier Code

**SWIFT** – Society of Worldwide Interbank Financial Telecommunication

**ATM** – Automated Teller Machine