

What's Up with International Money Transfers?

EVER HAD TO TRANSFER MONEY INTO OR OUT OF UKRAINE? COMPLICATED, ISN'T IT?

Lee Reaney

We've all been there while living abroad – struggling to find a way to transfer money from our bank account in one country to another. Or to a friend in a faraway land. Or to get paid by an overseas employer or purchaser. We've argued with banks about fees. We've signed a petition to bring PayPal to Ukraine. We've even succumbed to paying Western Union's exorbitant rates. All the while wondering why banking while travelling has to be so bloody difficult. Well, look no further! What's On has your definitive guide on how to transfer money to and from Ukraine.

WHY THE *&%! IS IT SO DIFFICULT TO TRANSFER MONEY TO UKRAINE?

Straight up? Ukraine doesn't exactly have the most glowing reputation for responsible financial practices (see: Yanukovich, Viktor). Look, even the deputy head of the National Bank keeps 99% of her savings outside of the bank, at her home (presumably, in a secret nook under her bed). That reputation, and a weak currency, has companies like PayPal looking at Ukraine tepidly. Despite a petition signed by more than 20 000 people, PayPal won't yet bite.

"We are grateful to see Ukrainian users' interest in using PayPal services," said the company in a statement, adding that Ukrainian authorities were "considering important steps to bring legislation on electronic payments in line with international standards".

The government has made an effort, however its bill (#5361-D) allowing international e-money systems like PayPal or Apple Pay failed to attract enough support last June.

THE 'NEED TO KNOW' OF BANKING ABROAD

Until recently, the international money transfer system has been dominated by major players like banks and money transfer operators such as Western Union. No longer, as foreign exchange brokers like OFX, and online money transfer companies like Transferwise, are changing the game. Let's look at those systems.

BANK-TO-BANK TRANSFERS

Pro: Safe, Easy and Reliable

Con: High fees and weaker exchange rates

Fees – they're what banks are known for! And you'll be paying them if you transfer money directly from your foreign bank to a Ukrainian account, or vice versa. While it's impossible to list each bank's fees – you'll have to research that yourself – we can give you an idea of what fees to look for. At the very least, you can be confident that your money will reach its destination in a relatively speedy manner and, best of all, you'll have someone that can walk you through the process.

FEES! FEES! FEES!

Let's break transfer fees down into four groups: handling fees, payment method fees, commissions on foreign exchange rates (FERs), and other fees. Handling fees include the upfront fee – which can be a fixed amount or a percentage of the amount transferred – and any fees charged by other banks, including the destination bank or even intermediary banks. Payment method fees include additional fees for the use of a credit card or the speedier direct debit options. Commissions on FERs are the amounts taken on the exchange rates used for the transaction – which can differ from day to day and bank to bank! Keep your eye on them. Finally, other fees can include things like paying for faster or immediate transfer or insuring a fixed FER commission.

TRADITIONAL MONEY TRANSFER OPERATORS (WESTERN UNION, MONEYGRAM)

Pro: Reliable and easily accessible, even in Ukraine

Con: Fees can be outrageous!

There was a time when traditional money transfer operators, like Western Union, were an expat's lifeline. Lost your wallet? Got robbed? Spent too foolishly? Seeing the black and yellow WU sign in a foreign land could really lift your spirits. With the arrival of online services, traditional MTOs have gone the way of the dodo. With that said, if you don't mind taking the financial hit, they are quick and reliable and can be found all over Ukraine – even in small towns.

FOREIGN EXCHANGE BROKERS (OFX, CURRENCIES DIRECT, BITCOIN)

Pro: Better exchange rates than the banks

Con: They don't offer UAH yet!

At its essence, what are international money transfers other than an exchange of currencies? And who better to exchange currencies than foreign exchange brokers – after all, it's their specialty. Maybe so, but they don't offer UAH yet. Where's the money in that, right? So while you keep your eye on these companies adding UAH in the future, the only relevant option is Bitcoin, which is an e-currency, not a broker. Essentially, you can buy the currency in your home country and withdraw it in Ukraine. The tricky part is that you have to find someone to sell you the currency.

ONLINE MONEY TRANSFER COMPANIES (TRANSFERWISE, PAYONEER, SKRILL, PAYPAL)

Pro: Cheap fees and flexible withdrawal options

Con: May not have fixed exchange rates

As financial services continue to move online, MTCs keep popping up to blur the lines between traditional banks, foreign exchange brokers, and money transfer operators. Most of these are fairly new startups and the majority have yet to offer transfers to Ukraine, including PayPal. There are three that do – Payoneer, Skrill, and Transferwise – but they are not all equal.

Payoneer has been around for more than a decade and has gained a rather poor reputation. It does issue MasterCards that you can use to withdraw money, but there are a number of different fees involved and sometimes very high exchange rates. Skrill offers a similar service, except that the account is tied to your Ukrainian bank account. And their fees are slightly higher than Payoneer.

Our recommendation? Transferwise is the MTO of choice with cheap fees and reliable service. It gets around the bank fees by not actually transferring any money abroad. Instead, it diverts your sent money to a user in the same country receiving a similar amount. So a person from Ukraine sending money abroad will actually be sending it to another Ukrainian. The person abroad will receive the transfer from someone in their own country. Developed by two Estonians working in Britain, the award-winning Transferwise has developed a loyal following. They also have a handy app. The icing on the cake? The company has an office in Cherkasy, Ukraine.