

International Meetings



BY CHRISTINA PAPPAS



The Payment Question

Among the many factors you need to consider when planning your international meeting — from cultural differences to shipping, from visas to exchange rates — one of the issues that is often forgotten is how to actually pay for your international meetings.

One of the most common ways is to send an international money transfer, but that may soon change. International money transfers have become more scrutinized over the past few years, and with many big banks cutting back on money transfers, you may have to find a new way to pay your international bills.

A little background is required. In 2010, the Obama administration began to look into regulating money transfers by companies like Western Union and MoneyGram to ensure they were following transparency rules. In 2013, the Central Intelligence Agency started collecting records of international money transfers under the same law the National Security Agency used to collect Americans' phone and Internet records. As an unintended consequence, banks are now being held accountable not only for the customers who use their money-transfer services directly but also for their role in collecting remittances from money-transmitting companies and wiring them abroad. Regulators say the banking system was being exploited by terrorists and drug lords seeking to launder money, so banks are being forced to invest more to monitor the money moving through their systems or else face substantial penalties.

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This development may cause cost increases and delays for legitimate businesses sending money abroad, and many banks are even starting to abandon transferring money from the United States to other countries altogether.

According to banking industry experts, the government's efforts to root out illicit activity have, in essence, put banks into a law enforcement role. While Mexico may be the most affected — nearly half of the \$51.1 billion in remittances sent from the U.S. in 2012 ended up in that country — other countries in Latin America and Africa are feeling the pressure, as well. The problems facing international money transfers may persist and potentially affect many other countries around the world.

When you're planning your international meeting, consider the following alternative payment options:

Fixed-rate exchange contract. With a fixed-rate contract, you work with each of your vendors to agree on a fixed rate of exchange for all of your contracts. This option has some slight risks, as these contracts are usually signed farther in advance than forward contracts, allowing for a wider swing in the actual exchange rate. This may end up working for or against you, depending on the growth or decline of the dollar.

Local bank account. It could be beneficial for your business to open a local bank account in order to yield good exchange rates and allow quick payment to suppliers, especially if you plan to

hold an international event annually. As you receive revenue from exhibit sales and registration, you can make scheduled payments and forward the funds to an international bank that will convert the U.S. dollars into the appropriate currency. In addition, this option allows you to write checks in the appropriate foreign currency from this bank to pay for on-site expenses. This eliminates exchange fees, which can add up.

However, this option requires a lot of management and may not be worth the effort for organizations that do not have branch offices or sister associations in the chosen destination. Each country has its own banking rules and tax regulations as well, making it important to do research before pursuing this option.

Forward contract. This is an agreement to purchase a set amount of foreign currency at a future date (usually within 12 months) for an agreed upon number of U.S. dollars. Once the exchange rate is locked in, the dollar amount is set for the duration of the agreement, regardless of subsequent market movements. A secured rate allows you to proceed with price listing and budgeting plans without currency fluctuations eroding profit margins. Generally, the only requirement to enter into a forward contract is a deposit of 10 to 15 percent of the dollar costs of the funds.

Credit card. An easy option is to pay by credit card, but, as always, it's beneficial to find out what the service charges are from your provider and the hotel or vendor. Generally, credit payments are subject to a 3 percent service charge from your provider. Some hotels and vendors are resistant to taking credit card payments and may require a wire transfer up front for full payment. ■