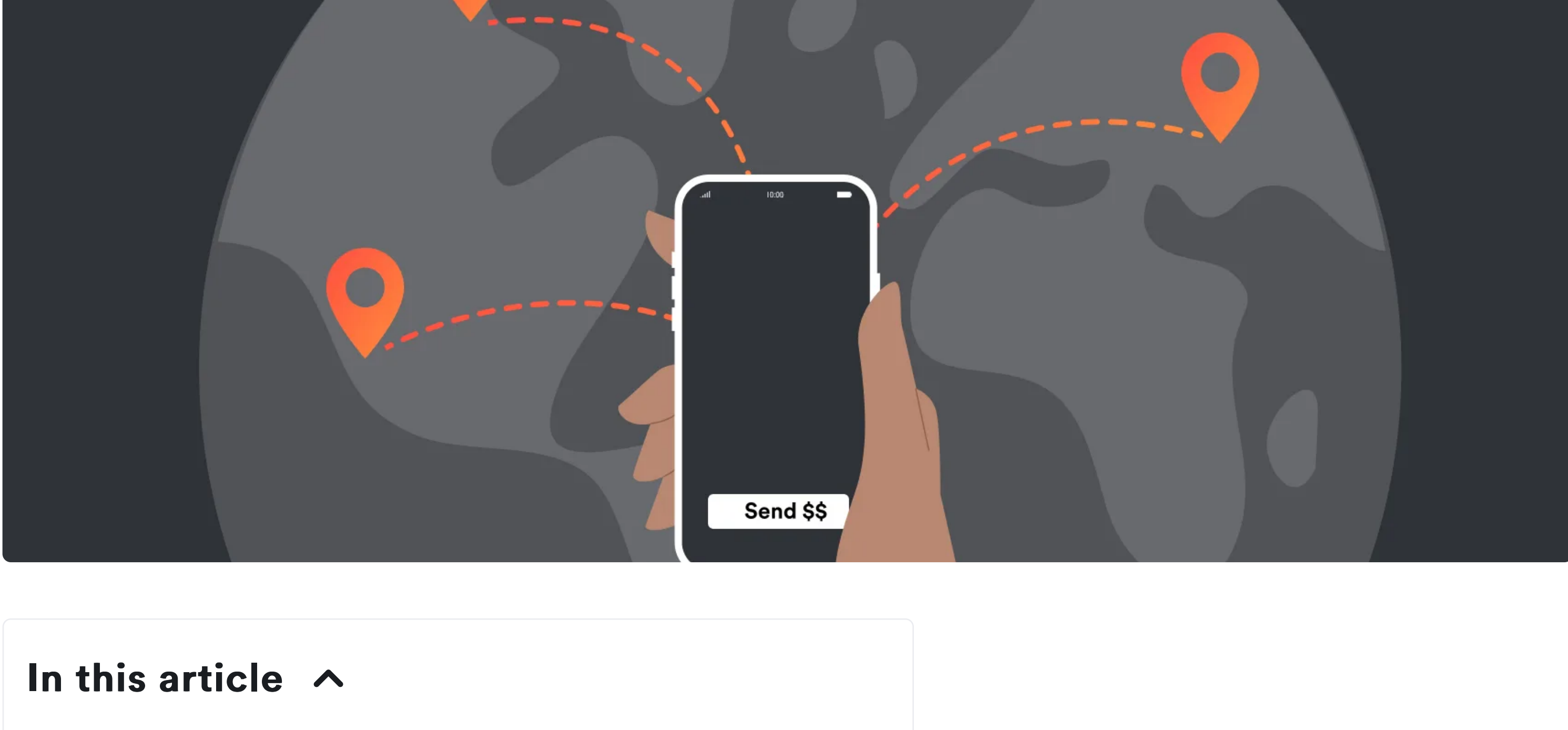


Blog

The Telegraphic Transfer Debate: Is it the Best and Only Method for International Money Transfers?

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Have you started working with overseas suppliers? Are international clients driving your SME's growth? As your cross-border transactions increase, finding the best international money transfer method becomes critical to your global success. Telegraphic **transfer (TT)** is widely used for cross-border payments, but it also comes with drawbacks for both the sender and receiver.

Join us for this deep dive into the nuances of telegraphic transfers, its benefits, and alternatives, so that you can make an informed decision for your enterprise.

What is a telegraphic transfer?

A **telegraphic transfer** (also known as TT, TT payments, or telex transfers) is a way of sending funds from one financial institution to another.

The name comes from when these transactions were done via telegraph or cable messages. Today, telegraphic transfers happen electronically, and the terms "wire transfer" or "electronic fund transfer" are sometimes used to refer to this process.

TT payments involve sending electronic messages between banks (or their correspondent banks) to facilitate fund transfers. It's a straightforward process that you can initiate through online banking. A TT can be done for both local and international payments, though international transfers take several days to clear and incur higher fees.

What makes TT seem complicated is the terminology used to describe processes and payment types. Here are some common terms you need to know:

Understanding SWIFT transfers and the SWIFT network

The term "SWIFT transfer" is often used interchangeably to refer to a TT or wire transfer. Banks will understand these terms to mean an international money transfer, but it's helpful to know the nuances between a SWIFT transfer versus a telegraphic transfer.

SWIFT is an acronym for the Society of Worldwide Interbank Financial Telecommunication, a global communications platform that allows banks, clearing houses, and other financial institutions to exchange standardised messages. While most financial institutions use SWIFT, there are some that [operate outside the network](#).

A **SWIFT transfer** happens when banks use the **SWIFT network** to send an instruction to the receiving bank. The instruction includes details about the transfer, like how much will be paid and to whom. All SWIFT transfers must use a unique code called a **SWIFT or Bank Identifier Code (BIC)**, which functions like an address that correctly identifies the bank and ensures that the funds reach the right place.

What's important to note is that the SWIFT network doesn't transfer money per se. Instead, it functions like a secure messaging app where financial institutions exchange instructions. The institutions themselves will settle the payments based on these messages.

TT payment types: inward and outward telegraphic transfers

Banks generally use the terms "inward" and "outward" wire transfer or remittance to describe the direction in which money is being sent.

An **inward telegraphic transfer** is when your bank account receives money from an external source. It's an "incoming" fund transfer from your bank's perspective and can mean a payment from an overseas bank account or a local transfer.

An **outward telegraphic transfer** is when you send money from your bank account to a local or overseas recipient. It is an "outgoing" transfer from your bank's perspective.

Each type of transfer has its own fee structure, which can include a commission, flat processing fee, and other bank charges.

How are telegraphic transfers processed?

A TT involves several steps, often facilitated by a network of correspondent banks. Here's a breakdown of how a TT happens:

Initiating the TT

The sender initiates the TT through their bank (the **originating bank**), via their online banking app or an in-person visit. They need to provide the amount to be sent, bank account details like account number, recipient's name and the SWIFT code. For large sums, the sender may need to provide additional documentation.

Executing the transaction

In many international transfers, the originating bank and the recipient's bank (the **beneficiary bank**) don't have a direct relationship. To settle international transfer, they'll need the help of **intermediary or correspondent banks** - financial institutions that have relationships and accounts across banks. These banks will use the instructions to debit and credit the appropriate accounts.

Notification and settlement

Once the beneficiary bank receives and verifies the transfer messages, they will credit the recipient's account with the transferred amount. The originating bank will be notified that the transaction was a success.

The entire process, from initiation to settlement, can take several days depending on the banks involved, countries, time zones, and regulatory checks.

3 major drawbacks of using telegraphic transfers

While TT payments remain critical to international transactions, it's important for you to understand its biggest drawbacks and consider them in your decision-making.

Hidden transfer fees

Banks often charge fees to both senders and receivers for telegraphic transfers. If intermediary or correspondent banks are involved, they might also levy their own charges, leading to multiple fees for a single transaction.

Foreign exchange risk

Exchange rates offered by banks are often unfavourable to business owners. That's because banks earn a margin by offering customers a less favourable exchange rate than the **interbank rate** - the rate at which they can obtain the currency themselves.

These unfavourable rates can give you greater exposure to foreign exchange risk - the possibility of losing money due to changes in the exchange rate between the time you make the sale and the time you receive the payment.

Slow transfer speed

A TT is not always instantaneous. International transfers, in particular, can take several days to complete, especially if they involve intermediary banks or pass through countries with slower banking infrastructures. Factors like public holidays or unforeseen technical issues can also influence the transaction speed.

It can sometimes be difficult to track a TT, especially if there are delays. Some banks might not provide real-time updates or detailed information about the transfer's status or any hold-ups it's encountering.

Why Airwallex is a better way to send international payments

If transaction fees and unfavourable conversion rates are eating into your margins, Airwallex offers a better way to handle international payments. Here are some reasons to consider Airwallex over TT:

Bank like a local in 12 currencies

Airwallex offers a robust [Global Account](#) that lets you operate like you have local bank accounts in several countries. With a Global Account, you actually get a local bank code, branch code, and dedicated account numbers - without having to visit a physical bank branch. This makes it easy for you to receive and hold funds in USD, GBP, CNY, and other leading currencies. You can also use these funds to make local payments, which helps you avoid multiple conversions and their associated fees.

Fast, cost-effective transfers through local payment rails

Like many payment specialists, Airwallex offers efficient and low-cost international transfers. Unlike other fintech firms, however, Airwallex uses local payment rails to minimise the complexities, fees, and delays often associated with TT payments.

Streamline spending with physical and virtual corporate cards

Beyond payments, Airwallex offers additional financial tools like the [multi-currency Borderless Card](#). Available as both physical and virtual debit cards, the Borderless Card runs on the Visa network and lets you pay using funds in your multi-currency account, eliminating unnecessary conversion fees.

The Borderless Card comes with expense management features that let you view and approve transactions in real time. Businesses can create as many cards for different departments and employees. The card also supports greater control over your employees' purchases with the ability to set spending limits and restrict purchases to only specific merchant types.

On top of these benefits, you get 1% unlimited cashback on all card transactions.

Personalised support from a dedicated account manager

Unlike many digital services, Airwallex is committed to your success and offers dedicated support for every step of your expansion journey. Each client has a dedicated account manager based in Singapore who'll help you problem-solve or recommend the right solutions for your complex business requirements. We also have a technical support team that can be reached through phone, email, and chat for faster resolution.

3 easy steps to opening an Airwallex account

Opening an Airwallex account is easy, simple, and costs \$0 to get started. Here's how:

1. [Create an Airwallex business account](#)
2. Verify your business with [these documents](#) - it only takes a few minutes
3. Add funds and send payments

Build your global business with Airwallex today. No more delays and hidden fees for transferring funds.

You don't need a bank to run your business

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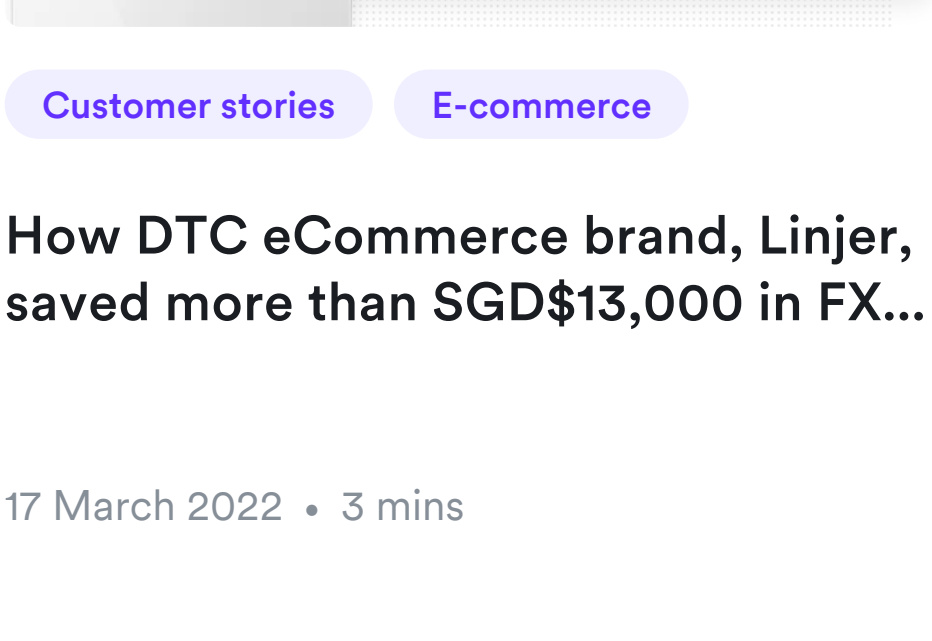
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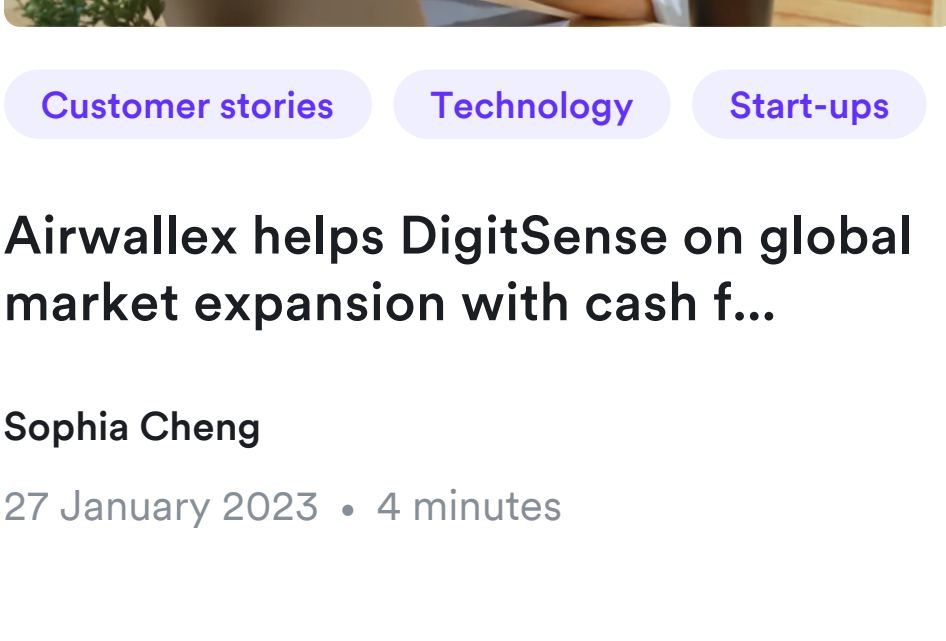
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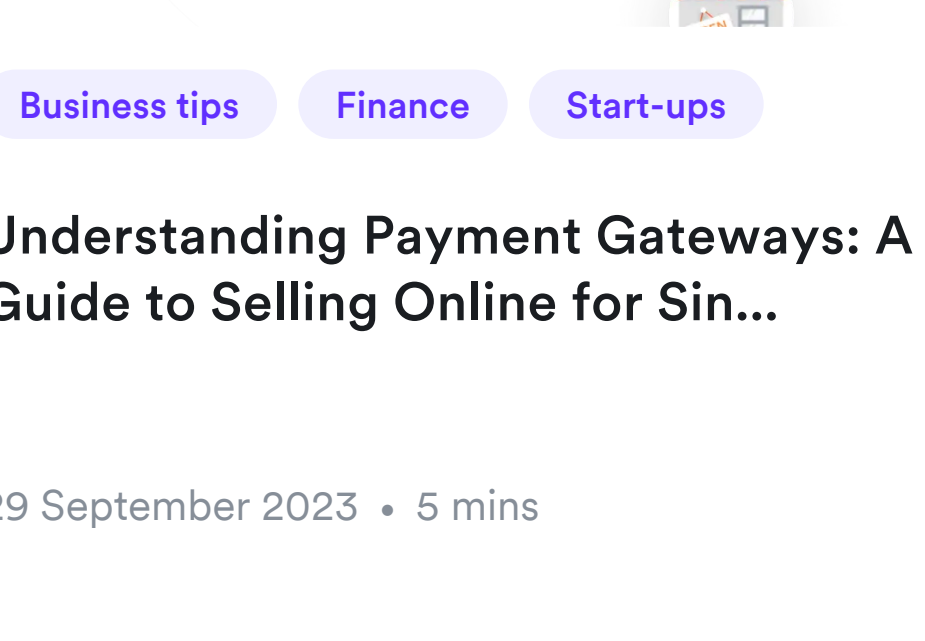


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