New Standards for Document Collection from China Originating Payments

SAFE background
In 2015, the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) launched a pilot project to allow appropriately licensed Payment Service Providers (PSPs) to process cross-border foreign exchange payments from China. While reviewing the pilot program, SAFE has recently increased scrutiny of PSPs, more aggressively enforcing existing regulations and conducting on-site audits of foreign exchange transactions processed by PSPs.

What is required from Chinese payers?
Tighter enforcement of the existing SAFE regulations requires all PSPs performing foreign exchange and remitting money abroad to collect key documents from payers prior to a payment being processed. SAFE's main concerns are with: (i) authenticity of the underlying transaction, (ii) PSPs not exceeding the scope of their license, and (iii) accurate, complete and timely recordkeeping. Flywire, like many non-Chinese payment processors, relies on licensed Chinese PSPs to collect “study abroad education” payments, convert the amounts received from RMB to destination currency and then remit the proceeds abroad.

Because these requirements affect all Chinese originating payments, your Chinese student payers must in general and at a minimum provide the following documents as proof of payment:
1. An acceptance letter or offer letter with the university/school logo that shows that the student is part of an overseas program
2. Copy of a tuition invoice with the university/school logo, an invoiced amount, and student name

Please note that the collection of key documents is required for all payments from China regardless of who is processing the payment; even if the payment was being made directly to the educational institution, and not through Flywire, this step would still need to be fulfilled.

How does this affect your institution?
Compliance with SAFE regulations may impact the amount of time it takes for payments to be collected and delivered, with your institution possibly experiencing longer than normal settlement periods. This is due to an added step of document verification to ensure the payment is authentic. You may want to consider providing invoices and admissions letters to your Chinese students so they are prepared in advance to make their payments.

How is Flywire helping?
Flywire has released an update to the payment experience for Chinese students that facilitates the uploading of the required documents. In addition, Flywire’s online upload functionality streamlines the document collection process and makes it considerably faster than going to the bank to make payment. These documents are then securely shared with the relevant local PSP for verification, as an integral part of the payment process.

Questions? Contact your relationship manager or clientsuccess@flywire.com.