



Flexible Payouts Are Key for Taking Control of the Payment Stack and Easily Sending Funds



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Executive summary

Today's digital marketplaces need tools to seamlessly receive, settle, and distribute funds all over the world—without bogging down their operations. This means being flexible enough to operate with many currencies, remain compliant with local and international regulations, and offer various transfer methods to their payees. This eBook reviews licensed, PSP-controlled, and marketplace-led payout models and showcases how Hyperwallet's technology gives marketplaces control over their payment flow, helping them address these challenges and allowing them to focus on the things they do best.

Hyperwallet supports marketplaces as they scale globally by addressing all of these challenges and providing seamless experiences for merchants and payees. In our unique marketplace-led approach, Hyperwallet's technology integrates with various payment service providers and transfer methods to seamlessly receive and send funds across your marketplace. It removes the burden of having to build your own payment infrastructure, easily integrating with your existing systems and using API or batch uploads to send payment instructions. Hyperwallet also operates across various jurisdictions, helping you to remain compliant with payment-focused regulations.

Glossary of terms

Here are terms you'll need to know as you scale payments for your marketplace.

Disbursements: funds being paid out to payees.

Funding: the act of sending money from a marketplace to Hyperwallet. Marketplaces can fund Hyperwallet through one or more PSPs, or directly through a bank transfer.

Inbound funds: monies coming in through the sale of products or services. These funds are collected by one or more PSPs.

Payee: the recipient of funds that are paid out from marketplace (see: payout). These are normally the sellers and/or service providers facilitating business on the marketplace.

Payment Service Provider (PSP): a payment provider that offers marketplaces online services for accepting electronic payment methods including credit cards, e-wallets, and bank-based payments.

Payout: funds being paid via disbursements to a marketplace's sellers or service providers (see payee).

Settling: the act of delivering inbound funds. The payout approach employed by the marketplace dictates when and where a settlement takes place.

Transferring: when a payee moves funds from their account on the Hyperwallet system to their preferred payout option (e.g. PayPal, Venmo, prepaid card, local bank account, etc.).

The marketplace challenge

One of the biggest challenges businesses face today is keeping up with the constant pace of change that comes from technology and innovation. Whether they're serving individual consumers or other businesses – or enabling their extended enterprise of employees and contractors with the tools they need – companies require a suite of digital capabilities to help them succeed.

Despite being a strong representation of just how much technology has changed the way we do things, digital marketplaces aren't immune to these challenges. With payees all over the world, it's important for two-sided marketplaces to be

able to seamlessly receive, settle, and distribute funds without adding unnecessary burden to their own operations.

Marketplaces need tools that can help them scale across countries, working with various currencies and remaining compliant with both local and international regulations. Additionally, they require streamlined visibility into all payment operations, with increased payout control and minimized administrative costs. As if that wasn't enough, this all needs to work hand in hand with uninterrupted payout experiences.

So, how can digital marketplaces effectively address all these challenges while operating with customers, sellers, and payees around the globe?
The answer is a comprehensive technology that automatically settles and distributes payments, while providing centralized control over the payment flow.

Defining the payment flow

Before we delve into the payout features that make the most sense for global marketplaces, we should first understand how they fit within the broader end-to-end payment stack.

Traditional payment flow

The payment stack begins with a consumer making a payment when buying a product from the marketplace, which is facilitated through a payment service provider (PSP). The marketplace then receives a portion of those funds as a fee, and the remaining funds are sent to the seller or service provider. Depending on the size and sophistication of a marketplace, this general concept can follow one of three distinct approaches.



1 Licensed marketplace approach

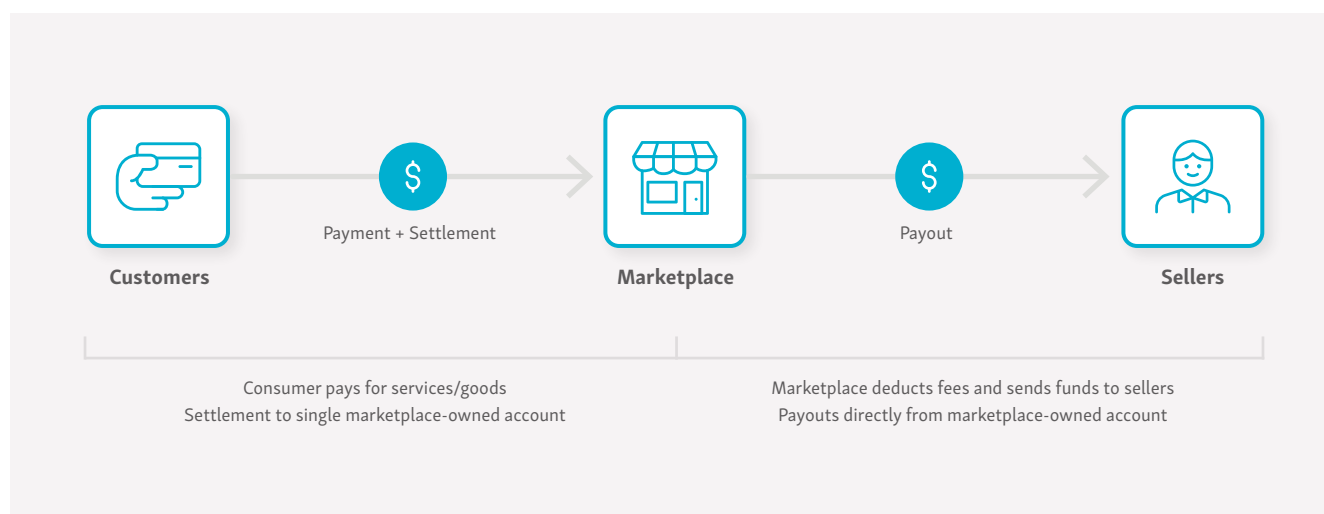
2 PSP-controlled approach

3 Marketplace-led approach

1 Licensed marketplace approach

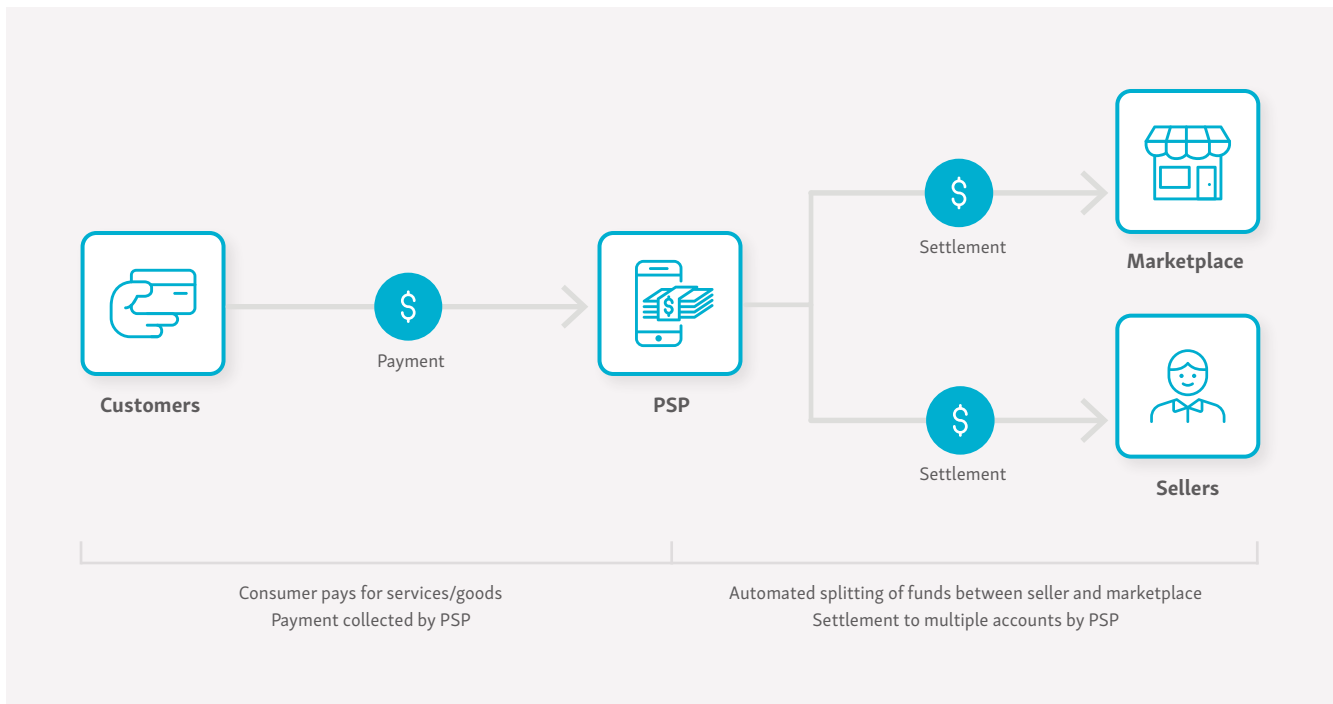
The licensed marketplace model exists when a marketplace is licensed or has an exemption to remain in the funds flow. This is especially important in the European Union, where the Second Payment Services Directive (PSD2) requires two-sided marketplaces to be authorized as a Payment Institution (PI) or E-Money Institution (EMI) in order to control the facilitation of payouts to payees. In this model, the marketplace collects inbound payments from one or more PSPs and settles them into bank accounts that are owned by the marketplace. Once they deduct their fee, the marketplace then controls the sending of funds to payees. As the marketplace expands to new geographies, it's responsible for handling all payout services while also meeting and abiding by local regulatory requirements.

In many countries, the marketplace will be required to form a local business entity with a bank account to facilitate fast, local payouts. While this model provides the marketplace with full control over the payment flow, that control costs a great deal of time, money, and human resources.



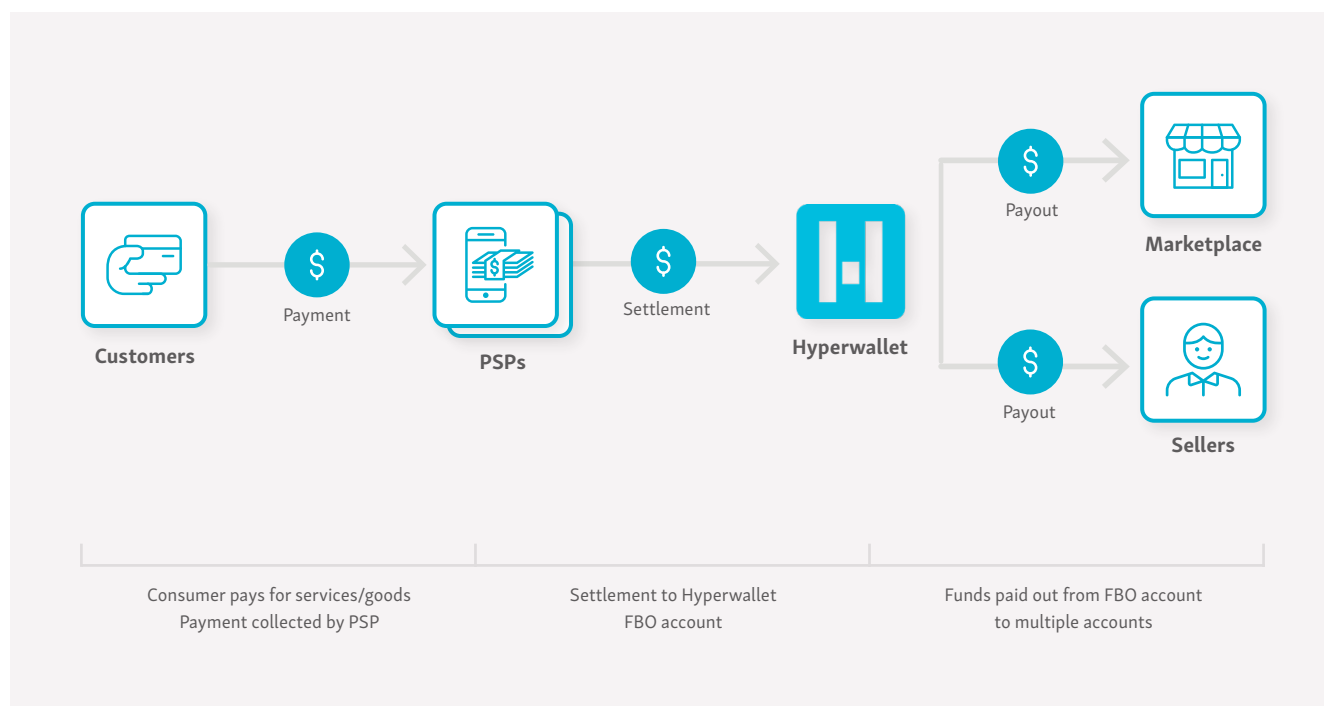
2 PSP-controlled approach

This is a split-settlement transaction where a PSP collects the payment for the good or service being sold on a marketplace. In this scenario, the PSP controls the onboarding and seller/payout experience. In order to facilitate a payout, the funds collected by the PSP are split and rerouted: one portion is settled to the marketplace as a fee, and the remainder goes to the payee who rendered the service. However, there are limitations based on the PSP's settlement capabilities and global reach. Typically, these models are only available in major markets and major currencies, so marketplaces still have to find a different solution for any exceptions. By offering better fraud protection and fewer compliance requirements, this is a better option for growing marketplaces that need to focus on product development.



3 Marketplace-led approach

Hyperwallet helps ensure a truly marketplace-led approach to payouts, as it allows established marketplaces to direct who gets paid, how much, and when. Thanks to Hyperwallet's technology, a marketplace can enable multiple acquiring methods and/or PSPs to collect and settle inbound payments with less worry about how this may impact the ability to send payouts; with Hyperwallet's marketplace-led approach, the inbound acquiring of funds is separated from the outbound facilitation of payouts. The marketplace has the ability to direct when and where funds are transferred to payees across a number of channels. Hyperwallet's technology removes the marketplace from the payment flow, helping them remain compliant with certain regulations under PSD2.



How these approaches vary

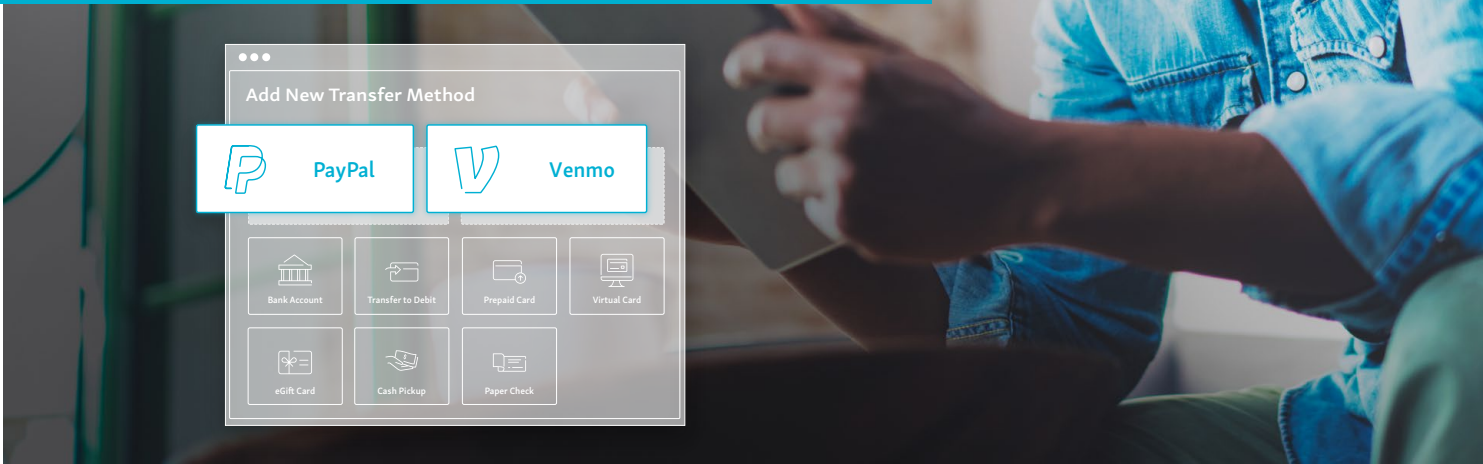
	1 Licensed marketplace approach	2 PSP-controlled approach	3 Marketplace-led approach
Technology	Marketplace is fully responsible for building their payout technology.	PSPs are responsible for the payout technology—and the marketplace has limited control.	Marketplace leverages third-party technology to reduce the development resources required while retaining full control.
Funding	Marketplace remains in the flow of funds. Marketplace is required to obtain proper licensing in order to ensure all local and global regulatory requirements are met.	Removes the marketplace from the flow of funds. Marketplace does not need to obtain additional licensing to remain compliant.	Removes the marketplace from the flow of funds. Marketplace does not need to obtain additional licensing to remain compliant.
Seller experience	Marketplace has full control over the payment flow and seller experience.	PSP controls the seller onboarding and payment experience.	Marketplace has full control over the payment flow and seller experience.
Chargebacks and returns	Marketplace is responsible for any chargebacks, returns, etc.	PSP is responsible for any chargebacks, returns, etc.	Marketplace is responsible for any chargebacks, returns, etc.
Payment integrations	Marketplace has the ability to integrate as many inbound and outbound payment options as they like. However this costs the marketplace time, money, and labor.	Marketplace is reliant on a single PSP's payout capabilities and global reach. Marketplaces often need to onboard multiple PSPs in order to achieve the inbound and outbound payment capabilities they desire.	Marketplace can easily integrate with multiple inbound payment providers and funding sources. Payout optionality is provided through a single payout provider and integration, reducing time, cost, and labor requirements.
Scalability	Marketplace may require a new business entity and local bank account to scale and facilitate payouts into each new geography.	Marketplace may encounter issues when scaling depending on the PSP's settlement capabilities and global reach.	Marketplace benefits from the global scale of the third-party provider and can easily scale their payouts to new geographies without opening new entities or bank accounts.
Takeaway	While this approach provides the most payment control, it is also the most time, cost, and labor intensive to manage.	While this approach is the least labor intensive, it also provides the marketplace with the least amount of payment control.	Hyperwallet provides the marketplace with as much control as the licensed approach, while also greatly reducing the time, cost, and labor required to manage payouts as the marketplace scales.

In the following sections, we'll address how Hyperwallet's approach supports marketplaces as they look to develop and scale their payout functionalities.



A marketplace-led approach:
The case for Hyperwallet

Seamlessly settle, fund, and send payouts



Most existing payout solutions offer a rigid flow where marketplaces are unable to settle, hold, and easily distribute funds for merchants. These PSP-controlled approaches focus on rerouting funds that are collected at checkout. As such, these solutions aren't technically transferring funds to their payees or sellers but simply splitting and settling an existing inbound payment.

In contrast, Hyperwallet's marketplace-led settlement process separates inbound funds from outbound funds, making it easier for merchants to have granular control over their payout needs. This allows marketplaces to satisfy countless use cases, including the following:

- Hyperwallet can settle funds through direct integration with Braintree and PayPal checkout in multiple currencies.
- Hyperwallet can also settle funds directly from most PSPs.

With these capabilities, marketplaces can better expand their reach across the world.

Transferring funds needs to be flexible

As a result of the constant exposure to seamless digital experiences, payees prefer electronic payout methods and local transfer options that are faster, more convenient, and easier to track. As such, marketplaces need to be able to respond to these and other preferences.

Hyperwallet's payout stack offers 9 unique transfer methods for payees to gain access to their funds. By implementing this solution, marketplaces have the ability to enable all or a selection of these methods for their payees to then self-serve and select their preferred transfer method. That said, geographical restrictions may impact which payout methods are available.

Available transfer methods include:

PayPal	a digital wallet through which payees can receive and withdraw funds to a linked bank account
Venmo	a mobile service where account holders can receive and transfer funds to others through a mobile phone app
Bank Account	a direct deposit to the payee's local bank account
Direct to Debit	payment that goes directly into someone's checking account
Prepaid Card	a physical stored-value card that has a specific monetary value
Virtual Prepaid Card	a digital version of a prepaid card that can be sent virtually
Cash Pickup	a money transfer option where the payee goes to a physical location to collect the funds
eGift Cards	digital gift cards that can be sent via email
Check	a physical check sent to the payee to deposit into their account

* Transfer method availability may vary by country. Contact Hyperwallet for more details.

Reduce integration complexity: Easy payment instruction uploads via API or batch

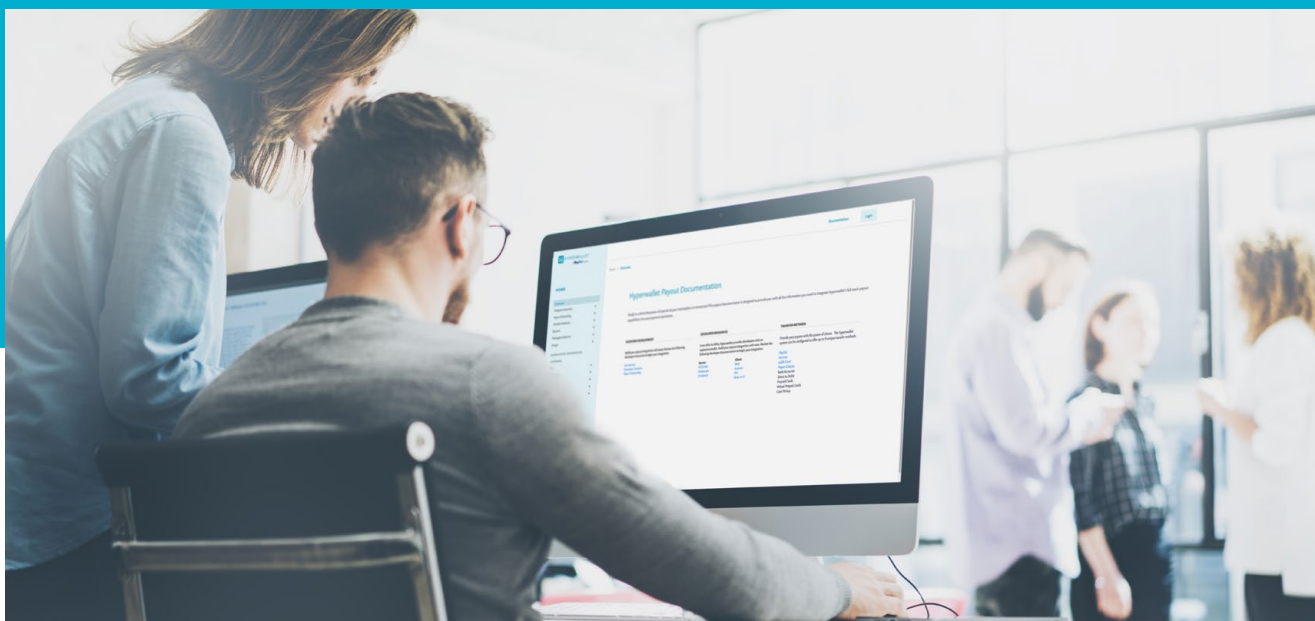
Your developers are already responsible for building your own technology – they shouldn't have to shoulder the burden of building payment infrastructure as well. In fact, marketplaces that opt to build their own licensed model payout system may feel like they effectively have to run two businesses in one. In most cases, it's ineffective and costly.

By integrating Hyperwallet's full stack payout technology into your existing marketplace infrastructure, you can help streamline the settlement of funds and the uploading of payment instructions, designed to speed up the delivery of funds to payees and sellers.

Alongside a sandbox that makes it easier for developers to interact with and understand Hyperwallet's suite of [payout API](#) endpoints, Hyperwallet has also identified clear [use cases](#) that help streamline how your marketplace positions itself within the payout flow.



Hyperwallet's full stack payout technology is designed to speed up the delivery of funds to payees and sellers.



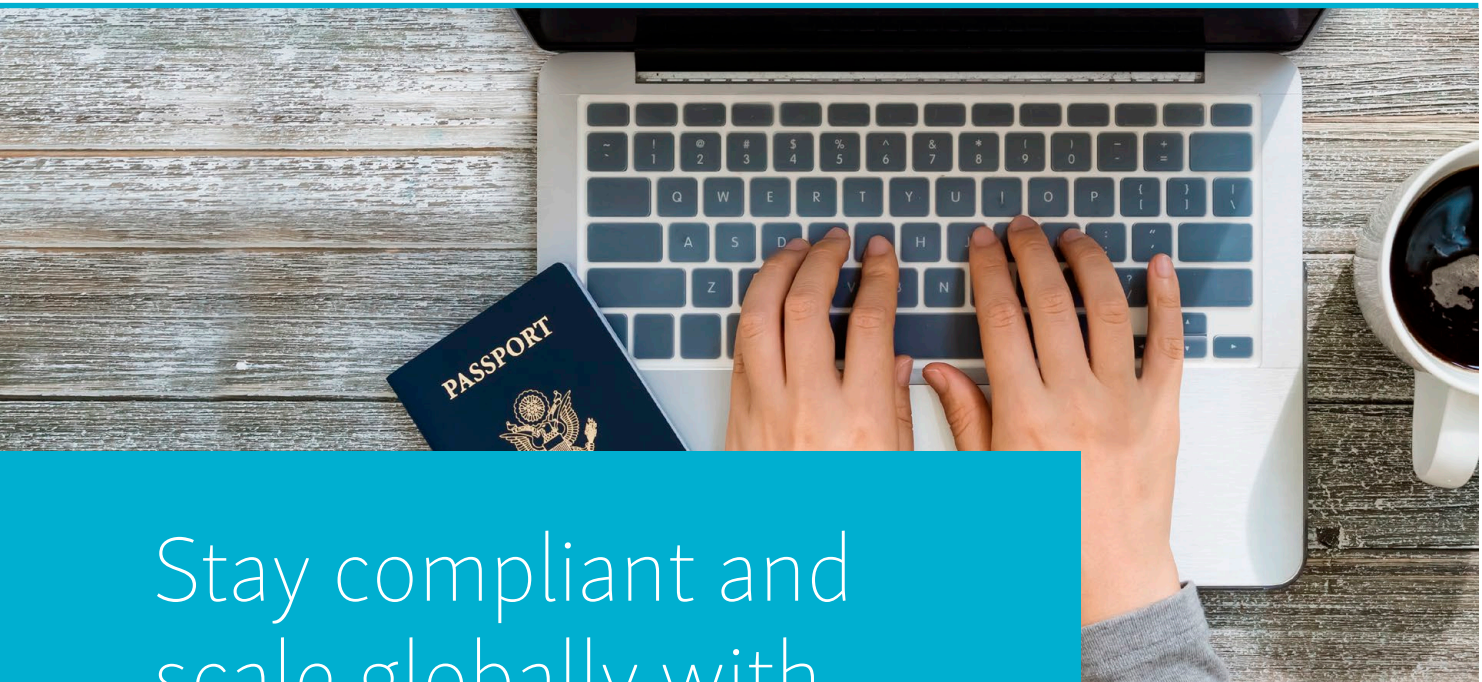
Settling funds and sending payment instructions to Hyperwallet

Marketplace developers can submit payment instructions in real time via API or as a bulk upload of [XLS/XLSX](#) and [XML](#) files using Hyperwallet's [OneBatch technology](#). Through this functionality, PSPs can also settle a marketplace's checkout funds directly into Hyperwallet's holding accounts.

Delivering funds to payees

Marketplaces can enable Hyperwallet to directly send payments to a pre-set transfer method – such as depositing funds into a bank account – using an API. Alternatively, if the marketplace enables transfer method choice, Hyperwallet can notify payees when their payment has been sent and have the payee choose their preferred transfer method.

Developers can easily integrate these options into an existing website or application using Hyperwallet's [Transfer Method Drop-in UI](#) or, if development resources are tight, a marketplace may opt to use Hyperwallet's [Pay Portal Payout Experience](#) to take advantage of a pre-built, white-labeled web and mobile environment.



Stay compliant and scale globally with regulatory support

In order to scale successfully, marketplaces need to stay on top of regulatory requirements for payments across multiple geographies. However, when dealing with merchants and payees in multiple countries, this can be an onerous task.

Hyperwallet has functionalities for conducting identity verification (e.g. [Payee Verification Drop-in UI](#)) and tax form reporting and filing across a variety of geographies. This takes the administrative and legal burden off of the marketplace, allowing them to focus on priority tasks instead.

Hyperwallet can also be configured to help marketplaces maintain compliance with a number of international regulations – including PSD2. In the marketplace-led approach, Hyperwallet supports the marketplace in being compliant with these regulations by keeping it out of the payment flow. It also offers integrated anti-money-laundering and sanctions-screening on all payees, which helps to provide built-in security.

A dynamic payout technology for modern marketplaces

Digital marketplaces face many of the same obstacles challenging other businesses. They need to be able to scale across geographies, ensuring frictionless customer experiences, all while reducing their operational efforts and costs.

Because the payment flow is such a crucial component to how the modern marketplace operates, Hyperwallet's marketplace-led approach to payouts is the natural solution for established marketplaces looking to expand their footprint. It does this by:

- Seamlessly funding, settling, and transferring payouts to payees and sellers in various currencies around the world
- Offering 9 transfer methods for payees looking to access their funds
- Allowing for simple integration with existing infrastructure as well as easy payment uploads with API or batch solutions
- Helping marketplaces stay compliant with local regulatory requirements so they can scale to different geographies with ease

To discover how our technology can help you meet your global payout needs, contact one of our [Solutions Experts](#).



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