

# CURRENCY MANAGEMENT ADVICE

## for companies trading internationally

If your company has started trading with customers across Europe, or even further afield, you will need a foreign exchange plan to manage your currency risk. While this might sound like a lot of work, well-managed foreign exchange risk provides an opportunity for your business.

### CASH MANAGEMENT

If you trade in several countries there are advantages to holding bank accounts in the currencies you are trading. This affords a great deal of flexibility in holding currencies, timing conversions and managing transfer costs. Most currencies can be held in accounts in the UK, but you may find it cheaper and easier to hold accounts in the countries you do business with. It is worth doing some initial research to ensure you are not paying unnecessary bank charges by having too many accounts, or by not having enough accounts in the right currencies, to avoid disproportionate fees on multiple small trades.

Some banks allow you to control overseas accounts through an online platform. It is worth checking for facilities with your own bank too, but be sure to identify whether there are receiving fees for inbound transfers. Some banks charge a percentage of the transferred amount – over time this can represent thousands of pounds or euros in extra charges.

It is best to refuse to accept currency cheques or drafts for payment unless you have a bank account in the country the cheques are drawn on. The costs are prohibitive and the delay in receiving funds can be anywhere between six to eight weeks, impacting the cash flow that is vital to your business.

### TRANSFERS

If you need to make euro payments anywhere within Europe, use SEPA transfers whenever possible. These



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offer lower costs than traditional wire transfers and are just as efficient. For everywhere else, international SWIFT transfers are the tool for the job and most banks and brokers offer this format.

### BUYING AND SELLING

If you are able to accumulate funds before negotiating a trade, it is always worth thinking well in advance on exchange rates. Some companies cover all of their risk as soon as it is apparent and others wait until the last possible minute before booking an exchange rate. Both have their advantages and pitfalls and a professional will be able to advise on the best solution for your business.

Monthly fluctuations of 5% or more are the norm and can be very costly or hugely frustrating if you miss the better rate for the sake of a bit of basic forward planning. That planning doesn't need to be any more than a spreadsheet showing requirements and a strategy to cover the risk.

Use tools for best currency management. That might include booking forward contracts to fix an exchange rate today for settlement up to two years ahead, or placing automated orders to guarantee a 'worse case' exchange rate whilst leaving room to take advantage of positive exchange rate movement.

These simple systems can be very quickly put in place. The flip side is that poorly managed foreign exchange risk tends to be expensive. So whether based in Europe or the UK, if you are trading internationally look for simple, specific solutions to solve specific problems.

*For further information on managing your foreign exchange risk please visit [www.halofinancial.com](http://www.halofinancial.com) or contact the team at Halo Financial on +44(0) 20 7350 5470.*