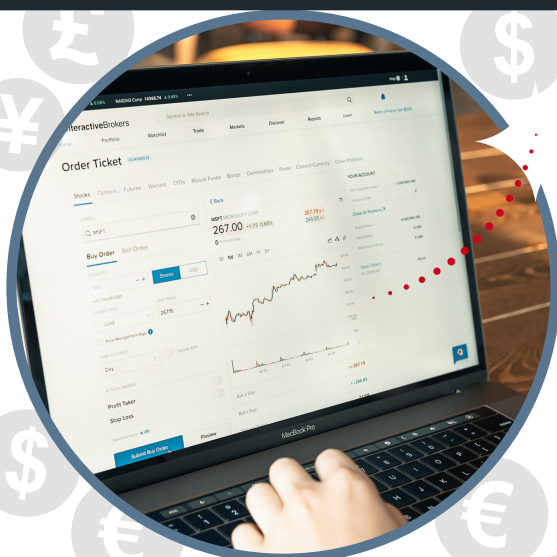


FACT OR FICTION

DEBUNKING MYTHS ABOUT FOREIGN EXCHANGE FOR BUSINESS

Whether you're part of a small family-owned business or running a large, multinational enterprise, it can sometimes be hard to distinguish fact from fiction when it comes to your global payments. To help you fully understand the changing landscape of foreign exchange transactions, we contrasted the top popular assumptions about foreign exchange with facts you need to know.



I DON'T HAVE TO WORRY ABOUT DAILY FLUCTUATIONS WHEN I EXCHANGE CURRENCY

While daily price movements in the currency market may seem small, even these seemingly insignificant changes can have a serious impact on your firm's bottom line and can cause major variability in operating profit year to year.

Quick Fact :
North American corporations reported **\$5.87 billion** in foreign exchange losses in Q1 of 2021 which was a staggering increase of 322% from the last quarter.

I'M ONLY EXPOSED TO RISK WHEN I EXCHANGE VOLATILE CURRENCY

Exposure to market fluctuations can come from a variety of different points. That's why understanding exactly when and where your points of exposure are is essential to establishing a risk management strategy in line with your business goals.

Points of exposure to be aware of:



overseas purchases



overseas offices



multi-currency operations



international partners



supply chain costs.



exports



RISK MANAGEMENT IS EXPENSIVE AND ONLY FOR LARGE CORPORATIONS

Whether you're employing gig workers, simplifying your international supply chain, or opening overseas offices, any organization that operates in the cross-border market should have a foreign exchange risk management strategy in place.

Case Study

ABC Company is confident they will have monthly payables of at least **EUR 250,000 (€3m per year)** for 2022 their budget is based on a **Euro rate of 1.1500**

Assuming yearly exposure of EUR 3 million (roughly \$3.5m) – the consequences of a material move in the exchange rate are significant.



HEDGING MEANS LOCKING IN AN EXCHANGE RATE

Hedging comes in many forms which is why it's important to review your current risk and assess your future exposure to market fluctuations before settling on a proactive risk management strategy.

Contacting an FX risk management specialist is a great option if you're unsure which strategy is right for you.

Hedging strategies to consider:

- **Forwards** : Fix a prevailing rate for a set period of time
- **Options**: Buy or sell at a pre-agreed upon exchange rate on or before a specific expiration date
- **Orders**: Buy currency at a set exchange rate of your choosing



LEARNING TO HEDGE IS COMPLICATED

Hedging strategies follow the nature of your business. If your operations are fairly straightforward you can expect the same from your hedging strategy. If your business operations are a bit more complex, consulting a risk management specialist may be the way to go

Want to learn more about opening a multicurrency business account with Moneycorp?

[Request a demo today!](#)

Download our 2022 FX Hedging Brochure for more information on how you can minimize risk, maximize savings, and grow your business in the fluctuating FX market.