



Guide to Foreign Exchange

TREASURY SPECIALISTS

PRODUCTS DESIGNED FOR YOU

RESEARCH

Guide to Foreign Exchange

- Do you import or export goods or services from non-Euro countries?
- Do you send money or receive money from overseas?
- Do you have any property interests abroad?
- Do you buy or sell your equipment overseas?

If you answer yes to any of these questions, then you could be exposed to Foreign Exchange (FX) risk.

Many businesses often transmit funds abroad in Euro in the belief that this is the most cost effective option available to them. This may not always be the case. Experience has shown us that when Euros are transmitted to non-Euro zone countries the conversion rate used by the foreign bank can be unfavourable to you, the customer.

At Bank of Ireland, we recognise FX risk and have products to manage it. We have a team of treasury specialists who can help you to fully understand these risks and put in place a risk management strategy to help protect you against potential adverse impacts of market movements. We can tailor products specifically around your needs. Due to the nature of foreign exchange market volatility, if you trade internationally you could be exposed to FX risk.



Tips in helping to manage your FX risk

There are a few things you should consider in helping to manage your FX risk:

1 Always ask for a dual invoice

The best way to ensure the most cost effective payment option is to use dual invoicing. Dual invoicing, simply put, is getting two prices for anything purchased from abroad - one in Euro and one in currency and paying the cheaper.

By getting two prices you can now clearly see the difference in the end transaction. You should then choose the cheaper and use that method of payment.

There may be times when it would be more favourable for a business to pay in Euro (usually for once off small amounts), but by using dual invoicing, it will be clear to the business which payment method is cheaper and you can then make a more informed decision.

Benefits of dual invoicing:

- It can reduce currency conversion costs, offering potential savings.
- It provides you with more information to choose the best payment option.
- By knowing the true value of your payment, it can strengthen a company's buying power when dealing with suppliers.

2 Consider forward contracts - ask to speak to one of our treasury specialists

A forward contract is an agreement with the bank to exchange a specified amount of currency at a specified date in the future, with the exchange rate fixed at the time the contract is entered into.

Benefits of forward contracts:

- Foreign exchange risk is fully eliminated.
- You know your cash flows, making budgeting and forecasting easier.
- Opportunity to avail of attractive foreign exchange rates prevailing in the market for delivery at a date in the future.

Risks of forward contracts:

- With a forward contract, you cannot benefit from a favourable move in the exchange rate.

It is important to talk to a treasury specialist to understand fully the benefits and risks associated with a forward contract.

3 Currency accounts can be useful - ask in your local Bank of Ireland branch

If you have receipts and payments in the same (non-Euro) currency, then it may be worth considering currency accounts. Bank of Ireland Global Markets offers a full range of currency deposit and current accounts in all major currencies.

Benefits of currency accounts:

- They offer you the ability to net off foreign currency payables and receivables.
- They can help minimise and manage exchange risk and maximise cash flows efficiently.

Risks of currency accounts:

- If used incorrectly, you could be exposed to foreign currency risk. Therefore talk to your bank to ensure currency accounts are suitable for you and your business' needs.

It is important to talk to a treasury specialist to understand fully the benefits and risks associated with currency accounts.



To talk to our treasury specialists today, contact:

- Your local Bank of Ireland branch
- Business Banking Treasury Team **+353 (0)1 609 4300**
- Personal Banking Treasury Team **+353 (0)1 609 4330**

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