

AN OKU MARKETS QUICK GUIDE

Managing Business Currency Risk

Your Guide to FX Clarity
by Harry Mills



A Quick Guide to Currency Risk

What is Currency Risk?

Also known as exchange rate or foreign exchange (FX) risk, 'currency risk' is the **risk that exchange rate fluctuations** can affect a firm's **future cash flows** and **profitability**.

How is it measured?

- **Market analysis:** currency market volatility
- **Stress-testing:** impact of +/- 5%, 10%, 20% FX movements
- **Value-at-Risk:** statistical maximum probable loss

How does it affect businesses?

If unmitigated, the impact of FX risk can be disastrous:

- **Importers:** are at risk of a **depreciating** home currency
- **Exporters:** are at risk of an **appreciating** home currency

What are the types of FX risk?

- **Transaction:** transactions in foreign currencies (common)
- **Translation:** accounting exposure on assets/liabilities
- **Economic:** risk to market value or strategic decisions

What about 'Pricing Risk'?

This is the FX risk between a quote and agreement (dates)

- Include a quote end date and add an FX movement clause
- Add a buffer to the price – 5% is typical for short periods

How do you manage Currency Risk?

Our 'Four Steps to Success' are:

- **Identify** sources of risk and **Assess** the potential impact
- **Mitigate** risk with FX contracts and **Monitor** performance

Where to turn for help?

Speak to **Oku Markets** for help designing and implementing an effective currency risk management strategy:
info@okumarkets.com | 0203 838 0250 | okumarkets.com

What does an FX Strategy look like?

Seek to answer: how much, how far, how often?

- **FX contracts:** spot, forward, swaps, options
- **FX programmes:** rolling, layered, static, back-to-back

Your FX Next Steps

Before you embark upon your currency risk management journey, you should audit your current trading and payment provisions.

We're proud to work with our clients toward the same goals, and this is demonstrated in our fixed and transparent pricing model and our commitment to educating and empowering our clients to make better decisions.



Currency Audit

Review your currency approach, its effectiveness, and its limitations. Audit the pricing (rates) you receive from your provider(s) for benchmarking.



Four Steps To Success

Work through our framework to identify and quantify your currency risk, design and test your hedging strategy, and then write and execute against your FX Policy.



Contact Oku Markets

You can do all of this work yourself or, we'll crunch the numbers so you can run your business with an effective currency plan to minimise risk and maximise opportunities.

Read Our Full Guide

Are you curious to learn more or eager to dive deeper? Request our comprehensive guide! It contains detailed information and insights designed to help you make the most informed decisions.

Don't hesitate to reach out and ask for your copy today!





Thank you

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