

FX MOT for Clarity

Forex Dilemma

To have a handle of your forex costs has never been more important. In a year where there has been high volatility, companies have unfortunately found the shortfalls in their systems, procedures and risk management. The volatility for the UK is set to stay for years so now is a good time to get a handle on forex procedures, risks and reporting.

When the markets closed on the 23rd June Sterling was valued at 1.49 to the Dollar and 1.30 against the Euro. Now after an average of 17% loss Sterling versus Dollar is at 1.22 and against the Euro at 1.11. Significant moves of this nature have unearthed many weaknesses and reflected that uncovered or over covered positions have respectively materialised huge costs for importers and exporters respectively.

A coherent strategy that is applicable to your risk profile, industry, customers and competitors is important.

The terms and parameters for Brexit have not been set and until we know the UK's relationship with the EU over the years to come, instability will continue. Uncertainty is not good for business; the resultant volatility is equally another area of management that needs to be added to the burdensome lists for executive management.

What has gone wrong

Examples of problems that we have witnessed materialising are:-

- Companies, where they had strategies have found that they were not being correctly implemented or not appropriate for the business
- Instruments have behaved with immediate and unexpected cash and exposure implications
- Derivatives have responded in ways not expected opening further risk gaps and costs
- Strategies have created further risk rather than less
- Systems have not provided proper information
- Accounting has not been accurate in terms of realised, unrealised and cash flow management
- Skills are short
- Management control and Board oversight have been poor.

There is a solution

Valufin is able to help address the possible existence of any of the above concerns that management or the Board may have.

We offer a comprehensive forex evaluation service - FX MOT which takes between 2-5 days depending on the complexity and scope of the project.

Unlike a bank or broker who are only equipped to be able to give information on the market and products and are unable to give constructive advice on a portfolio as they are limited due to information provided and regulations.

Valufin is able to address all aspects of your forex requirements – we perform ALL the duties an internal treasury manager would perform for a large company; we provide appropriately for the SME market.

For the FX MOT we will evaluate what you are currently doing. This provides a report on people, systems, procedures, counterparties, dealing strategy, instruments, accounting, reporting, hedging strategy, risk arising, underlying business knowledge, costing, incentive schemes, cash flow management, reporting to board, risk reviews, realised versus unrealised variance management and more.

With this insight, we will advise you on how to improve your forex management.

Our recommendations will be within the business strategy and risk appetite identifying short, medium and long term actions for you to address to remedy activities, improve implementation and protect the bottom line. You may call on our expertise to facilitate this process.

Conclusion

Forex does not happen in isolation to the rest of your business and has a profound effect on your bottom line through direct and indirect outcomes. For example, incorrect pricing could lose sales as well as record realised losses.

Valufin can ensure a comprehensive forex strategy and sound procedures that will help you to achieve clarity and control of forex impacts.

