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Effective Currency Risk Management

Used by the world's leading corporations.
(And growing enterprises too).

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See Our Case Studies and Results

MILLBANK | FX

In partnership with:

VINCENZO VIVA SALES LLC
BROKER

Your Trusted Partner

Millbank FX has been supporting corporate clients with global payments, FX execution and currency risk management since 2016.

As an FCA regulated financial institution, we serve clients across 22 market sectors, have executed over £5 billion in currency trades and facilitate payments to over 120 countries worldwide.

As featured in:

FT FINANCIAL TIMES

★★★★★

"For nearly 5 years we have used Millbank for all aspects of FX. We are able to contact our dealer no matter the time of day which is an absolute must for us."

A. Anthis | CFO

★★★★★

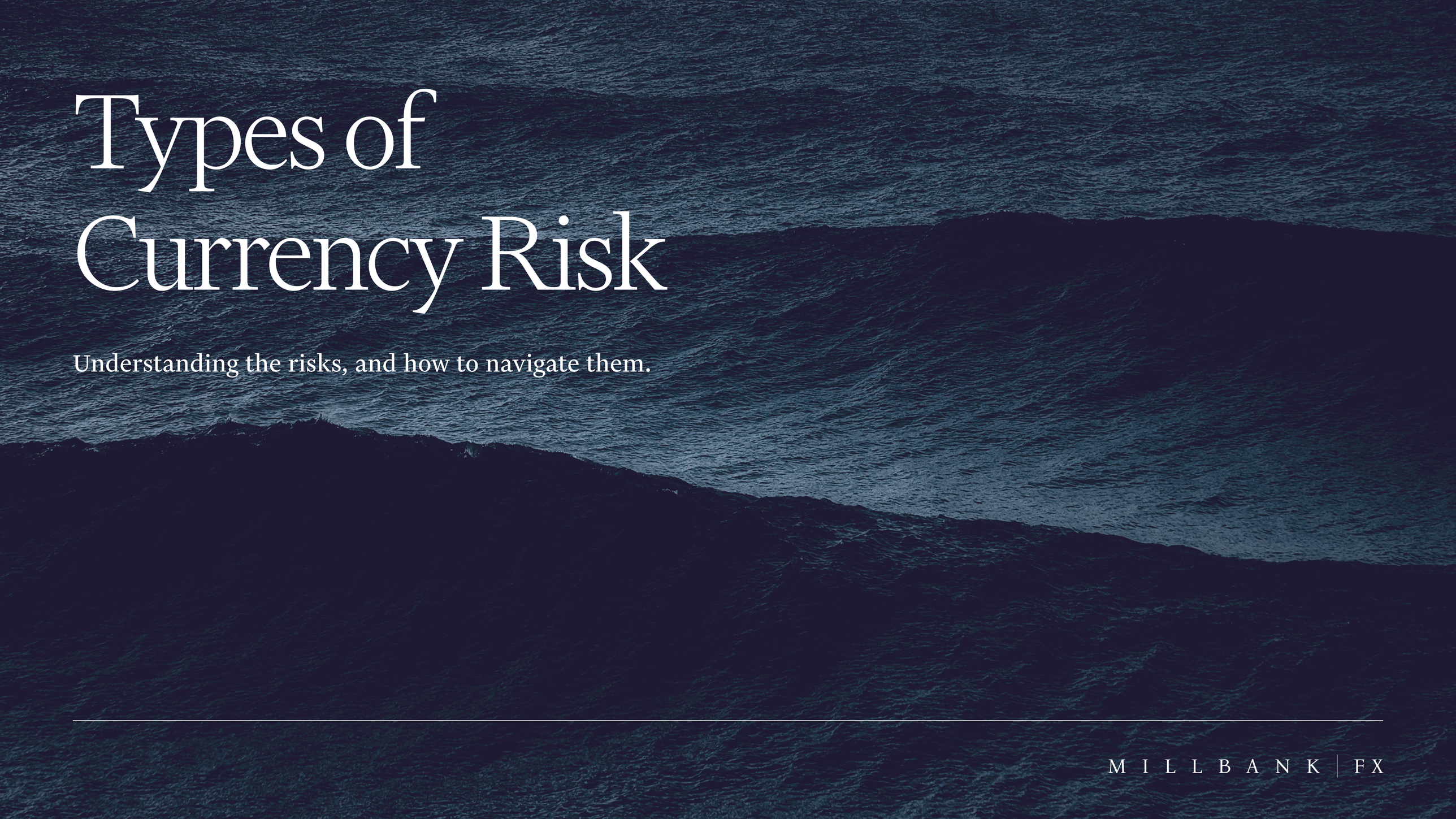
"We have recently moved our group FX exposure to Millbank and have witnessed the benefits immediately. We would strongly recommend any international business with multiple currency requirements to take a look at Millbank FX strategies."

G. Martinez | Owner

★★★★★

"I have worked with Millbank since 2020 and have received exceptional service with every transaction. Would highly recommend."

J.Carey | Finance Director



Types of Currency Risk

Understanding the risks, and how to navigate them.

MILLBANK | FX



Currency Exposure

There are three types of currency exposure that businesses face:

Transaction Risk

Transaction risk arises from buying and selling activities in different currencies. It impacts cash flow and the operating margin and typically occurs due to the time difference between an order and receipt of funds.

For example, a UK company importing from China could suffer squeezed margins if the pound depreciated vs the dollar or yuan because their costs in GBP terms would increase.

Economic Risk

Economic risk describes the potential impact on a company's market value caused by exchange rate changes. As exchange rates move, a firm's competitiveness, future cash flows, and market value can be impacted.

For example, a UK company exporting to the Republic of Ireland could face a competitive disadvantage if the pound strengthened vs the euro as their exports to Ireland would be comparatively expensive in euro terms.

Translation Risk

Also known as accounting exposure, translation risk is the risk that a company's assets or liabilities will change in value due to exchange rate changes. This typically occurs when translating the financial statements of a foreign operation (subsidiary) into the presentation (reporting) currency of the parent company.

For example, a UK firm has a French subsidiary which consolidates to GBP. If the euro weakens against the pound, the earnings of the subsidiary will be reduced in GBP terms.

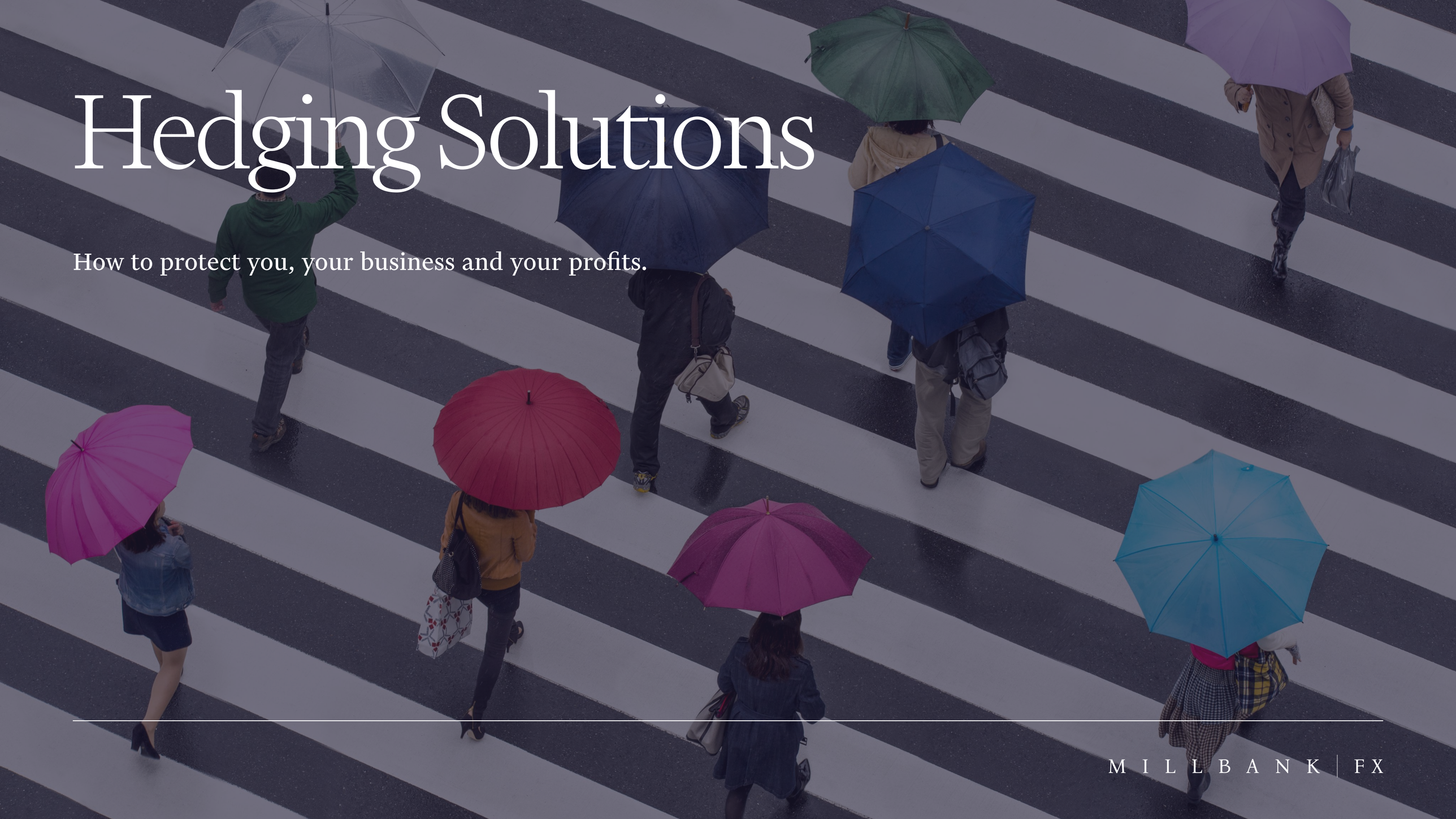
When does currency risk occur?

It is often helpful to visualise the lifecycle of a transaction to identify when currency risk occurs throughout each stage, from pricing through to delivery. There is no one-size-fits-all template for this – every business' FX Risk Map will look a little different, but here's a basic setup to get started with:

- **Pricing Risk:** the FX risk between quote and agreement
- **Transaction Risk:** the FX risk between agreement and settlement
- **Translation Risk:** the FX risk between accounting (PO/invoice) and settlement

The most appropriate route or combination of mitigating actions is unique to each business. When it comes to an FX buffer, we suggest considering the volatility of the currency pair and adjusting for the relevant quote period.





Hedging Solutions

How to protect you, your business and your profits.

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Risk Framework

Currency risk management can be a daunting prospect, but it doesn't have to be overly complex. Formalising an approach aids decision-making, shares accountability, and gives structure which demonstrates sound governance. Focus on business objectives rather than market direction.

Risk Identification

Identify your risks by analysing all cash flows (in and out), the location and currency of your supply chain and customers, and any other assets or liabilities denominated in foreign currencies.

Risk Assessment

Assess and quantify your risk by calculating the total currency exposure in notional terms, statistically analysing the volatility of the currencies you are exposed to, and performing stress testing of spot rates. Setting risk limits gives you a mechanism for measurement.

Risk Mitigation

If you can transfer the risk – or avoid it altogether – then that should be the starting point, otherwise take mitigating action by hedging the risk using FX forwards, swaps or options.

Risk Monitoring

Monitor your risk using a set of Key Risk Indicators and maintain your hedging position as time passes and your position evolves. You will likely need to enter top-up trades over time.



Currency Hedging

How much and how far to hedge?
Consider the following:

Visibility

of the size and timing of known and probable future transactions

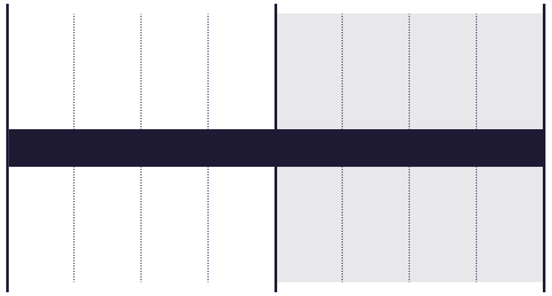
Certainty

of forecasts, e.g. consider a contract with milestones vs historic trends

Sensitivity

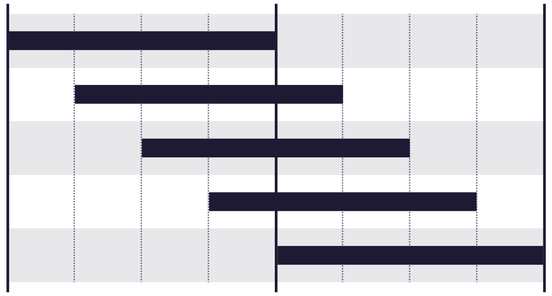
to changes in the underlying exchange rate

Static Programme



- A ‘set and forget’ approach
- Often an annual hedge against the FY budget
- Arguably inflexible in its simplicity
- More dynamic when using currency options

Rolling Programme



- Hedging a fixed amount to a future date
- Then periodically repeating and extending
- This ensures a constant hedge ratio over time
- Achieved rates are somewhat smoothed

Layered Programme



- Hedge ratios are greater for near dates
- Further dates have lower hedge ratios
- Regular top-ups to maintain the hedge profile
- Achieved rates are smoothed over time

Partner with Millbank FX today

Get customised and managed strategies to help you hedge against FX volatility.

- Improved Financial Predictability
- Protection against Exchange Rate Volatility
- Enhanced Competitive Advantage
- Certainty over Costs

"Millbank FX has been instrumental in managing our currency risk, allowing us to focus on our core business with peace of mind. Their team's insights and proactive approach have helped us navigate the complexities of fluctuating exchange rates."

M. Polak | Group CFO FINELINE DEFINING EXCELLENCE

We don't just do Currency Risk Management. By working with us you'll get access to our full suite of services.

Currency Risk Management

Customised and managed strategies to help you hedge against FX volatility.

International Payments

Ensure smooth **global transactions with fast, secure payments** across 120+ countries.

Multi-Currency Account

An account in your name to make and **receive payments in 38 currencies.**

Institutional FX Rates

Access institutional-grade FX rates that save your business money on every transaction.

Market Order & Stop Losses

Set pre-determined orders that **capture gains and minimise downside.**

FX Market Analysis

Leverage **Bloomberg technology** to attain expert market data.

Insights

Read our FX Insights



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Contact us

Schedule Your FREE Strategy Session

On your free call consultation, one of our experts will discuss the following:

- Your currency goals.
- How our strategies (the same ones used by global corporations and financial institutions) could best be applied to your business.
- The questions and insights you need to optimise your performance.
- The cultural, practical and technical considerations that are most likely to be preventing you from growing quickly.

There'll be **no commitment or obligation** to use our services.

Schedule Your FREE Strategy Session