FORWARD CONTRACTS

> FOR PEACE OF MIND AGAINST MARKET FLUCTUATIONS, FIX A PRICE BASED ON THE CURRENT MARKET RATE

HOW FORWARD CONTRACTS WORK

Exchange rates are in a constant state of flux, responding to everything from inflation and interest rates to political stability and government borrowing. These movements have the potential to affect the profitability of your international activities. But a Forward Contract can reduce your exposure to this risk.

It lets you fix a price, based on the current market rate, for buying or selling currencies on a specified date in the future – which protects your profit margins, and helps you budget ahead with confidence by giving you certainty over revenues and costs.

As a specialist overseas payment company, we've got years of experience when it comes to understanding currency risks, and how to turn these into opportunities for your business. Forward Contracts are often part of the bespoke payments and currency management strategies we create for businesses like yours.

FLEXIBLE FORWARD CONTRACTS

Maybe your business needs something a little more adaptable. Perhaps you make regular international payments, but the dates are always moving. In this case, you might be better suited to a Flexible Forward Contract.

Unlike traditional Forward Contracts (which require a specified date in the future on which the amount must be exchanged using your fixed rate), a Flexible Forward Contract lets you draw down on your currency at any time up to the maturity date of the contract – as long as you draw down the full contracted amount on or before this date.

FORWARD CONTRACTS ARE PERFECT IF YOU:

- Pay invoices to overseas suppliers
- Receive foreign currency from invoices
- Pay payroll in a foreign currency
- Have significant overseas projects or assets
- Transfer group balances overseas.

THE ADVANTAGES

- Removes the risk of exchange rates moving against you
- Helps you plan with confidence by fixing your international costs or revenues
- Can help manage uncertain payment dates.

THINGS TO BEAR IN MIND

- You won't benefit from exchange rate improvements
- Deposit and/or variation margin may be applicable, in line with our terms of business.

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LOCK IN A RATE FOR THE FUTURE FOR PEACE OF MIND

FORWARD CONTRACTS IN ACTION

Let's say your business needs to buy goods in six months, which will cost $2 million.

You know the price of $2 million in GBP is determined by the GBP/USD exchange rate. Having done your costing, pricing and budgeting, you work out that $2 million at the current exchange rate of £1=$1.30 will cost you £1,538,462.

However, in six months, when you need to purchase the dollars, the exchange rate has dropped to £1=$1.20. So your $2 million now costs £1,666,667. An extra £128,205.

If you'd used a Forward Contract to lock in the rate six months ago, you'd have known exactly how much your goods would have cost – and saved over a hundred thousand pounds. Of course, the market could also have moved in your favour during this period. But by locking in a rate for the future, you'd have removed the element of risk, giving you peace of mind and making it easier to cost and budget the project.

HOW IT WORKS

Set up a Forward Contract with us and here's how things happen.

- Specify the period in which you expect to make or receive payments and the total amount you want to hedge
- We'll help you secure a competitive exchange rate based on the current market rate
- Once you accept the exchange rate, the transaction is agreed
- You can draw down multiple times over the period of the contract. Just get in touch with us whenever you need.

IS A **FORWARD CONTRACT** RIGHT FOR YOU?

Then let's talk. Our team of experts can help bring together the perfect plan to help your business.

Email us at **business@lumonpay.com**, visit **lumonpay.com** or call us on **+44 (0)203 384 7280**.

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