

# SPOT CONTRACTS



## WHAT IS A SPOT CONTRACT?

Spot contracts are the most common form of currency exchange and involve converting currency based on the current exchange rate. Depending on your requirements and the currencies being converted, you can choose to pay for and receive your currency on the same day, the next day, or the day after.

Spot contracts could be thought of as a 'buy now, pay now' transaction and are particularly useful if you need to make an immediate or urgent overseas payment. Businesses might use a spot contract to make an invoice payment to an overseas supplier, or to convert income received in foreign currencies.

### THE ADVANTAGES

Executing a spot contract allows you to convert currency based on the current exchange rate and make a payment. Exchange rates are constantly changing, and businesses could capitalise by executing a spot contract when there is a favourable market move.

### THINGS TO BEAR IN MIND

Using spot contracts alone can be a risky strategy if you want to be certain of the cost of a future transaction or are planning ahead.

Given how volatile the currency markets can be from one day to the next, it is important to consider how a disadvantageous move could impact you.

Unlike spot contracts, forward contracts let you secure a rate based on the current rates for a date in the future.

## IS A SPOT 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](mailto:business@lumonpay.com), visit [lumonpay.com](https://lumonpay.com) or call us on +44 (0)203 384 7280 or +353 (0)1 592 1528

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BUSINESSES COULD CAPITALISE BY EXECUTING A SPOT CONTRACT WHEN THERE IS A FAVOURABLE MARKET MOVE



## SPOT CONTRACTS IN ACTION

Let's say your business needs to buy goods today, which 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.

This will be the GBP cost to the business for the goods.

## HOW IT WORKS

Setting up a Spot Contract with us and how things work.

1. Specify the currencies you wish to buy and sell, and the amount you wish to convert
2. We'll quote you a competitive exchange rate based on the current market rate
3. Once you accept the exchange rate, the transaction is agreed
4. Depending on the currencies being converted, and once we have received cleared funds, you can make a payment (whether that is your own bank account or a 3rd party)



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