INVISIBLE FX

11 May 2021 | Christopher Burgess | Director Sales & Partners, Fairexpay Europe | Fairexpay.com

ENABLING THE PAYMENTS LANDSCAPE OF THE FUTURE

Instant frictionless payments from one account to another anywhere in the world at the lowest cost.

Real time, anytime, anywhere, 365 24/7, simple, user friendly, secure, certain, confirmed with hyper personalisation.

Key Factors

- User Experience
- Traceability
- Predictability
- Security

Fairexpay
Enterprise Savings, Simplified.

INVISIBLE FX – TREASURY MANAGERS IN THE DARK?

Most corporate treasuries have done a good job of eliminating the margins on high-value cross-currency payments through the use of ECNs, multi-bank FX platforms and shopping around key FX players. They tend to have a minimum threshold, say £100k, above which cross-currency payments are considered a “trade” and are booked via the central treasury team. However, cross-currency payments below that threshold, usually low-value but high volume, often fall into the “black hole” in terms of price transparency – the ‘invisible FX’. These payments are typically handled in a Shared Service Centre or financial operations teams such as AP (accounts payable) or AR (accounts receivable) teams which are frequently located in distant offshore locations and are often not visible to the corporate treasury.

TREASURY MANAGERS IN THE DARK?

Frequently treasury managers in large firms admit to being in the dark in terms of the total value of such items, how they are being processed or what sort of FX pricing mechanism is being applied. Yet, these lower-value items can add up into hundreds of millions, or even billions, of pounds in aggregate value, and therefore even a small improvement in margin can yield significant material savings.

The solution on these payments is to automate the entire process so that a £5 payment also gets the benefit of a competitive market rate. The ‘invisible FX’ opportunity is most glaring in the payables side but the cost saving potential is equally large on the receivables side. Each time a foreign currency receipt hits a bank account, the bank would usually apply a ‘rack rate’ for the FX which could typically be as large as 3%.

THE MEDIUM SIZE FIRM TRAP

Medium size firms and certainly SMEs may be aware that banks reduce their margin for larger principal transactions and also add transfer fees. This traps companies to accumulate FX positions and execute fewer deals. It may also trap them into hedging that future exposure – another deal for the bank. What business needs is to be free of these traps, to be able to transact at will, increasing working capital by repatriating foreign income quickly, taking advantage of early payment discounts on AP all at the keenest rates with no transaction fees.

"Fairexpay offer a trial of the platform, so you can see the rates and savings available in real-time…"

THE BUSINESS CASE FOR A SOLUTION

The potential business case for developing a solution for the invisible FX within an organisation is compelling and should be a priority. Cost savings could be significant and driven by:

- Obtaining the best FX pricing for these low-value transactions. Fairexpay aggregates ten or more Payment Services Providers on one intelligent platform. You are guaranteed to get a competitive rate for each foreign credit transfer.

- A reduction in the number of bank accounts. Typically, if there isn't significant incoming and outgoing flow in a particular currency, marginal currency accounts are ripe for closure. Instead, using a selected Payment Service Provider the currency does not need to be pre-funded and an account in any currency may be used. If foreign currency accounts are required many PSPs offer virtual IBANs which can be set up very quickly.

TECHNOLOGY INNOVATION

Low-value cross-currency transactions tend to be high-volume in nature so automation is key to success. It is difficult, and expensive, to have an in-house FX dealer to manually handle these transactions. Thankfully, Fairexpay supports both the upload of batch payment files and API integration to accounting and ERP system.

A STRATEGY FOR INVISIBLE FX

Corporate clients planning to realise these cost savings from their invisible FX flows should treat this as a strategic global finance/treasury project. The first step is to identify the volumes and value of these payment and receipt transactions across all subsidiaries. A careful examination of bank statements for a quarter should be sufficient to identify these flows.

The next step is to understand what FX margin is currently being paid on these transactions, which will then help develop the business case for centralising this FX flow through the innovative Fairexpay platform.

Finally the invisible FX flow embedded in the Account Payable and Account Receivables process should be channelled through the Fairexpay platform to ensure that the low-value cross-currency transactions get the full benefits of the keenest FX rates.

Full automation of these transactions will ensure fewer errors, and automated reconciliation within the ERP/TMS platforms, leading to significant productivity gains.

HOW TO PROVE THE BENEFIT

Proving the savings is really simple – Fairexpay offer a trial of the platform, so you can see the rates and savings available in real-time as you continue to suffer higher costs.

Do not be left behind – get all your questions answered and your trial booked: email advisor@fairexpay.com