



Help Customers Lock In Exchange Rates with FX Forwards

small business payments business customers international international trade international payments

Summary: The volatility of the foreign exchange rate market can be challenging on your small business customers that do business internationally. We explore FX forward contracts as an option you can offer to provide more certainty in this area, thereby increasing customer loyalty.

Records suggest that people have been betting on sports for more than 2K years, with many wagers being placed at the Olympics in Ancient Greece. Of course, predicting a sporting outcome isn't without risk — and most people who bet on sports tend to lose money overall.

With many US small businesses expanding globally, business owners sending cross-border payments have qualms about exchange rates. But thanks to a method that's little used by smaller businesses that allows them to lock in exchange rates on international payments, there's a lot less gambling involved than business owners might think. That's where adding foreign exchange (FX) forward contracts to your international banking services can make a difference.

Securing Future Currency Values

The global foreign exchange market is worth around [\\$7.5T a day](#), with roughly 75% of all trades involving US dollars. As exchange rates can pose a significant risk to your small business customers operating across borders, having access to FX forward contracts — contractual agreements to buy or sell currency at a fixed exchange rate for a specific date in the future — could be key to their success.

Being able to “lock in” an exchange rate over a set period of time to reduce your business customers' exposure to future exchange rate movements offers significant benefits:

1. **Greater certainty.** These contracts allow businesses to plan ahead and keep their cash flows predictable when buying or selling overseas. This expands a business customer's options for sourcing supplies or products from other countries to possibly cut manufacturing costs. On the selling end, locking in a foreign exchange rate means they can better predict payment amounts for international sales, whether wholesale or direct-to-customer purchases.
2. **Margin protection.** Knowing that an exchange rate is fixed will help your small business customers to stabilize and plan ahead for the cost of imports or other international expenses — and protect their profit margins.
3. **Competitive advantage.** Businesses willing to trade in a local currency will often get better rates and terms from local suppliers than those who trade in US dollars, as the forward contract offers both parties control over the future value of their products and services.

Of course, there is a downside to forward contracts: businesses could miss out on potential favorable movements of a currency pair. For this reason, some companies choose to hedge against this by using a forward contract for only part of their overall final payment.

Supporting International Business

Offering your customers FX forward contracts and other foreign exchange risk management services — whether in-house or through a correspondent bank — will better enable them to protect their profit margins and manage the risk associated with international business. In fact, a strategic foreign exchange hedging program can help your customers optimize their bottom line, regardless of the trend and direction of the markets.

By providing these services and [supporting small business customers](#) who are expanding globally, your institution can strengthen long-term relationships, attract new business customers, and increase fee income.

PCBB provides a [full suite of international services](#), including [FX forward contracts](#) to help you support your small business customers expanding into markets outside the US.

FLUCTUATING EXCHANGE RATES CONCERNING YOUR BUSINESS CUSTOMERS?

Help protect your customers against the risk of fluctuating exchange rates. PCBB's FX Forward Contracts help to ["lock in" rates](#), while providing you with additional fee income. Contact us today to learn more: info@pcbb.com.

ECONOMY & RATES

Rates As Of: 06/20/2023 05:39AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.34	-0.18	0.92
6M	5.35	-0.11	0.59
1Y	5.22	0.07	0.52
2Y	4.70	0.30	0.28
5Y	3.99	0.23	-0.01
10Y	3.77	0.12	-0.11
30Y	3.86	0.00	-0.11
FF Market	FF Disc		IORB
5.07	5.25		5.15
SOFR	Prime		ORER
5.05	8.25		5.06

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