



currencywave

SMARTER GLOBAL PAYMENTS



Free Currency Review

Do you know the true cost of your foreign
currency payments?

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Enhance Your Finance Strategy

Regularly reviewing your supplier relationships and contracts is an important exercise to monitor the financial health of your business. Many companies systematically review their operations annually, seeking out inefficiencies, looking for improvements in the business plan and identifying areas where costs can be saved.



What areas should be reviewed?

Many businesses regularly review financial contracts and commitments, especially those that come up for renewal each year. Items such as insurance policies, utility supplies, or other similar procurements can easily be put out to tender to test their cost competitiveness.

Banking relationships, on the other hand, are more difficult to scrutinise objectively, especially when you are locked in to long term finance arrangements. Despite this, there are still opportunities to review some elements of your banking relationships, such as foreign exchange, as this can be outsourced to specialists.

Reviewing your foreign exchange transactions

Online tech based solutions can now replace many elements of traditional banking at a fraction of the cost. Independent foreign exchange brokers have been around for many years and are increasingly servicing a growing market of businesses that trade internationally. Reviewing your foreign exchange requirements and analysing the competitiveness of your exchange rates can reap big rewards.

Hidden charges

Charges levied by banks and brokers on foreign exchange transactions are notoriously opaque and difficult to calculate.

Although customers are made aware of charges for sending payments, they are not told about the level of margin taken out of the exchange rate. Banks and brokers make their money by increasing the spread or mark-up over the wholesale rate. It is not uncommon for a bank to add an exchange rate spread/mark-up of 2% or more which, on a conversion of £100,000, equates to fees of £2,000.

It is not difficult to see how these hidden costs can add up considerably over time. A specialist foreign exchange broker can help you reduce these costs.

Free currency review

To demonstrate the cost savings that are possible, we offer a free, no obligation review of some of your past currency payments to uncover hidden costs incurred by your business.

CurrencyWave can help your business reduce the cost of international payments by up to 85%. We do this by giving you access to exchange rates that are normally only available to larger corporations and financial institutions. Our technology and lower overheads mean we can pass big savings on to our clients.

What is the exchange rate spread/mark-up ?

In the wholesale foreign exchange market, or interbank market, exchange rates are quoted with a bid/offer spread. This is the difference between the rate at which banks will buy a currency from another bank and a rate at which they will sell that currency.

Example spread/mark-up

In the wholesale market, GBP/USD might be quoted as a bid/offer spread of 1.2830/1.2834.

The difference of 0.0004 is known as the spread and this degree of spread is only available to bank participants, other large financial institutions and professional traders. When it comes to deliverable FX (conversions of currency for onward payment), a bank or broker will widen this spread when offering exchange rates to their customers.

On the above example, a bank could add a spread/mark-up of 1.5% to the wholesale bid/offer rate. This would result in a bank rate of 1.2637/1.3027. Their customer, if buying USD, would only get 1.2637 or if they were selling USD would receive 1.3027 and the bank pockets the difference.

A specialist broker such as CurrencyWave offers much smaller spreads to their customers which allows them to minimise the unseen costs on these transactions.

Free report

CurrencyWave provides businesses with an easy solution to determine the true cost of their foreign exchange transactions by offering a free currency review service.

We start by undertaking an analysis of your global currency payments, whether they be outgoing payments to suppliers, incoming receipts from customers or inter-company currency conversions. By comparing the exchange rates you received to the wholesale exchange rate prevailing at the time, we can determine the level of spread/mark-up applied by your current provider and calculate the total charges.

Once the data has been processed, we send you a free report that will help you not only identify the level of savings that can be made but also assist you with strategically planning this area of your finances.

Currency risk

It's not just costs that are important but also how you deal with the risk of currency volatility affecting your company profits. Recognising these risks and implementing a strategy to protect your bottom line is an essential but often overlooked consideration.



Case study example

A UK specialist engineering company exports to over 20 countries and buys its raw materials, mainly from China. The company pays its suppliers mainly in USD and invoices its customers in GBP, EUR USD, CHF and CNY.

Like a lot of businesses, they use their bank out of convenience to manage all their incoming and outgoing foreign currency payments. They know the exchange rates their bank offers are never as good as the rates they see on the internet but never have the time or know how to investigate this further. This is simply viewed as the cost of doing business internationally.



How does it work?

Following an initial meeting with CurrencyWave, it was agreed that a review of the company's international payment activities would be undertaken to see exactly how much they were paying in foreign exchange fees. A sample of previous currency transactions, amounting to over £500,000, were supplied for analysis and a free report produced for a follow up discussion.

Outcome

The report revealed that the bank was applying a spread over wholesale rates of between 0.70% and 1.82%, on the transactions analysed and this was in addition to international payment fees of £15 charged on every outgoing wire transfer. From a total of £546,000 converted, the report showed that the bank had taken fees amounting to some £5,600.

CurrencyWave Comparison:								
Transaction Date	Time	USD Sold	CurrencyWave Exchange Rate	Forward Points	CurrencyWave TOTAL GBP Receipt	CurrencyWave FX Margin ¹	CurrencyWave Payment Charge	CurrencyWave Saving
24-Apr-19	AM	540,000.00	0.76727	0	£30,890.45	0.75%	NIL	-£61.80
17-Apr-19	AM	530,000.00	0.76248	0	£246,976.94	0.50%	NIL	£949.21
20-Sep-18	PM	595,000.00	0.80681	0	£76,299.75	0.50%	NIL	£757.80
12-Sep-18	PM	5175,000.00	0.88738	0	£4,561,282.41	0.50%	NIL	£1,190.71
					£215,443.78			£2,497.41
Transaction Date	Time	EUR Sold	CurrencyWave Exchange Rate	Forward Points	CurrencyWave TOTAL GBP Receipt	CurrencyWave FX Margin ¹	CurrencyWave Payment Charge	CurrencyWave Saving
19-Sep-19	PM	€ 95,000.00	0.87755	0	£80,714.85	0.75%	NIL	£329.80
					£80,714.85			£329.80
								TOTAL SAVING: £2,767.21

Significant savings could be made using CurrencyWave as an alternative payment method, as it offers much smaller spreads in its exchange rate quotes. The report highlighted that the spread charges could be reduced to between 0.5% to 0.75%, and additional savings made through zero cost international wire transfer payments.

By using the CurrencyWave platform, a saving of over £2,700 was possible on the transactions under review, reducing foreign exchange costs by nearly 50%. Over the course of the full year, the total estimated savings were in excess of £16,000.

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Conclusion

If your business trades internationally, it is likely that you are incurring significant fees on your foreign currency payments which are mostly hidden within the exchange rate. This is particularly true for small to medium sized businesses, who receive inferior exchange rates from their bank.

Having your currency arrangements reviewed not only pin points immediate cost savings, but can help you identify and deal with risks arising from adverse currency movements and the effect this can have on your profit margins. Despite rising currency volatility, over 60% of importers/exporters have little or no strategy in place for dealing with this aspect of their finances.



If you would like to take advantage of a free currency review for your business, please get in touch for further details:

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