

CASTLE CURRENCY

Best Currency Practices

11 Principles for Businesses That Want Better Currency Outcomes

Currency affects every business that operates internationally.

These are the practices that separate companies who manage it from those who hope for the best.

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Introduction

Currency can have the most substantial effect on a company's bottom line of almost any single factor. Yet for many businesses, currency is handled reactively - conversions happen when payments are due or received, when accounting requests them, or when someone has time. There's no plan, no measurement, and no connection between currency activity and financial goals.

The practices below represent what we've learned from 30 years of working with businesses on currency. They aren't theoretical. They're the principles that consistently separate companies with predictable, manageable currency outcomes from those that are at the mercy of whatever the market happens to be doing.

You don't need to implement all 11 at once. Start with the ones that address your biggest gaps. Each one on its own will improve your outcomes.

1. Determine the Currency Risks Your Company Faces

Before you can manage currency effectively, you need to understand how it affects your business - not just in general, but specifically.

Companies have direct currency exposure through revenues and inputs, assets and liabilities. But there is also indirect exposure: inputs affected by currency, competitive dynamics, and broader market forces. An exporter competing against manufacturers in weaker-currency countries may find their pricing undercut when their own currency strengthens.

Take stock of where currency touches your business. Not just the obvious transactions, but the ripple effects across your operations and competitive position.

2. Define the Goal of Currency Management

Every company is affected by currency. The question is what you want to do about it.

The goal should not be to “beat the market” or eliminate all risk. An appropriate goal may be to define and control your downside risk to a comfortable level - then, if available and desirable, capitalize on opportunities that arise.

Without a defined goal, currency activity is just reacting. With one, every decision has context and purpose.

Converting at convenience, not value - that's where the real money goes.

3. Be Aware of and Prepare for Worst-Case and Best-Case Scenarios

Do you know what would happen to your margins if the exchange rate moved 10% against you? What about 15%? What if it moved 10% in your favor - are you prepared to capitalize on that?

Being aware of what significant currency movements could do to your company helps you prepare rather than react. The companies that handle currency well aren't the ones that predict the market - they're the ones that have thought through the scenarios and know what they'll do in each case.

Preparation means having a plan for unfavorable moves and a plan for favorable ones. Not hoping for the best.

4. Integrate Currency Analysis Into Your Financial Projections

This is one of the most overlooked practices and one of the most impactful.

Budget preparations must account for potential effects of currency movements to be valid and effective. If your annual budget assumes a currency rate that doesn't hold, every revenue projection and cost estimate built on that assumption is wrong.

Integrating currency analysis into your sales projections, expenditure planning, and financial forecasts goes a long way toward meeting budgets, improving planning accuracy, and successfully managing currency effects on your business.

If your budget has a currency rate assumption in it - and it should - then your currency management approach should be actively working to meet or exceed that rate.

5. Currency Management Must Incorporate Your Specific Financial Situation and Goals

Currency strategies cannot be solely based on currency analysis or market expectations. Every company is different. Every company has different tolerances to currency movement and volatility.

Effective currency management must consider the specific financial needs of your company: your annual budget, your acceptable margins, the range of currency rates you can comfortably operate within. In fact, these financial needs must be the driver of your approach - not the other way around.

A strategy that's right for an importer with thin margins is very different from what's right for one with comfortable margins. One size does not fit.

The rate your provider charges matters. But how and when you convert matters more.

6. Become Proactive in Currency Management

Currency markets operate 24 hours a day. Significant movements can occur without warning. Too often, companies make reactive, ad-hoc decisions - converting when a payment is due or received, when accounting requests it, or when someone has time.

This reactive approach adds stress, leads to missed opportunities, and often results in poor decision-making. A proactive approach means having pre-defined targets, clear guidance on when to act, and a process that doesn't depend on someone remembering to check the rate.

This is exactly what our Daily Best Rate Conversion Strategies and Weekly Hedging Strategies provide - clear guidance so your team can act with confidence rather than react under pressure.

7. Employ or Hire Experts in Currency Management

Currency can have the most substantial effect on your company's bottom line. There are many routine functions within currency operations, but significant value can be derived from the use of experts dedicated to managing currency.

Many businesses can't justify a full-time currency specialist on staff. That's where a firm like Castle Currency adds value - you get 30 years of currency expertise applied to your business without the cost of building it in-house.

There is an important distinction between a provider that processes transactions and one that understands your specific business and financial goals. The difference in outcomes can be substantial.

8. Develop and Implement Sound Currency Strategies

Significant effort should be spent developing strategies that meet the objectives of each type of exposure or business division. A single blanket approach rarely serves a company's full range of currency needs.

Consider using multiple strategies - or multiple time frames within a strategy - to provide diversification and better match the timing requirements of your hedges and conversions. A 30-day conversion need is different from a 12-month hedging need. Both deserve a defined approach.

The key is that strategies should be based on your financial goals first, then informed by market analysis - not the other way around.

9. Develop a Written Currency Management Plan

A Currency Management Plan (CMP) formalizes everything above into a documented approach your entire team can follow. It defines the policies, procedures, risk tolerances, and decision frameworks that guide how your company handles currency.

A written plan does several things: it provides management with a defined approach and a range of potential outcomes, it removes the guesswork from individual decisions, it ensures continuity if people change roles, and it creates accountability.

Senior management should be involved in defining the guidelines that dictate the CMP. This is not a finance department exercise alone - it affects the entire business.

Castle Currency offers workshops specifically designed to help companies build their CMP during the session - so you walk away with a completed plan, not just a concept.

10. Keep the Plan Updated

While the general policies of a Currency Management Plan are long-standing, the financial components must be updated regularly. Budget changes, shifts in market conditions, competitive pressures, or changes in the company's financial situation all require the plan to be revisited.

A plan that was right last year may not be right this year. Quarterly reviews - even brief ones - ensure the plan stays aligned with the business as it actually is, not as it was when the plan was written.

11. Have Upper Management Approve the Plan

There is no avoiding the fact that companies face significant currency risks and rewards. It can be a difficult balancing act to manage. The goal should be to set policies in place that are understood by upper management and meet their expectations.

It is important that upper management understands and approves the Currency Management Plan. Without that buy-in, the plan lacks authority. Decisions made under pressure will override the plan if leadership hasn't committed to it.

Management approval also protects the people implementing the plan. When a hedging decision doesn't work out as hoped - and some won't - having an approved plan means the decision was made within agreed guidelines, not on someone's personal judgment.

Where to Start

You don't need to implement all 11 practices at once. Start with these three:

1. Know your budget rate and start measuring your conversion results against it. (Practices 4 and 5)
2. Stop converting at convenience. Define target levels and convert when value is available, not when a payment happens to be due or received. (Practice 6)
3. Request a free Currency Review to see where the opportunities are. (Practice 7)

These three changes alone will improve your outcomes. Everything else builds on that foundation.

Know When to Get Help

These best practices are things any business can begin working toward. But there's a point where professional guidance adds significant value:

- Your currency volume is large enough to meaningfully affect your margins
- You use or are considering using forward contracts
- Your time is better spent running your business than watching currency markets
- You want a documented currency management plan your team can follow
- You want a Currency Review to understand what your current approach may be costing you

Castle Currency exists specifically for businesses in this position. We provide the expertise so your team can make better currency decisions without becoming currency specialists.

READY TO SEE WHERE YOUR CURRENCY PROCESS CAN IMPROVE?

[Request a Free Currency Review](#)

It takes about 20 minutes. It costs you nothing.

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