

UK's importers & exporters need to take action now to mitigate their foreign exchange costs in the run up to BREXIT, warns Hamilton Court FX - a leader in bespoke currency solutions to businesses operating abroad

NEWS PROVIDED BY

Hamilton Court FX →

17 Oct, 2020, 11:35 BST

LONDON, **Oct. 17, 2020** /PRNewswire/ --

- **8 out of 10 businesses are still "sitting-on-the-fence" waiting for detailed Government advice on the changes to the way they import/export goods and pay for them**
- **It's imperative that they act now with proactive methods of hedging their currency needs so market fluctuations don't eat into their profits**

Many businesses trading abroad "are in the dark" about what they should be doing to prepare financially for the BREXIT deadline on 1 January 2021.

Importers and exporters, including those in insurance, banking, consumer goods, food & drink, pharmaceuticals, shipping, logistics and universities, are worried about the Government's failure to provide clear detail sooner to guide them through UK and EU bureaucracy. That is the feedback received -- by boutique consultancy, Hamilton Court FX.

Hamilton Court FX COO, Mark Palmer, said: *"We have been receiving feedback from our clients for a year or more, on their frustration with Government over Brexit advice. There is little available and no-one to speak to. There is no one size fits all answer here, which is why businesses need to speak to someone. All their issues are different and there are less than 80 days to go."*

Earlier this week the Government sent out an email to all businesses registered at Companies House. This email links to the Government website which purports to offer advice to business on dealing with the changes brought on by operating outside the UK post-BREXIT.

"But upon investigating what is on offer it is still little more than a slogan: "Check, Change, Go", said Mr Palmer. "We're disappointed, but not surprised. We're in the same boat as the majority of businesses in that we've spent significant amounts of time and money preparing for multiple scenarios that might only materialise at the 11th hour. The portal offers us no tangible advice that hasn't already been covered externally and by comparison misses a lot of key elements of consideration.

"So we are being proactive with our clients and helping them to implement active strategies to ensure that with as many variables as they have to deal with, they'll know where they stand with foreign exchange. 'Brexit fatigue' is very real, but so is the possibility that this doesn't get a happy ending, so covering ground that we're all bored of may seem painful, but is time well spent."

Here is our advice:

Check:

- What implications a large delay in receipt or delivery of inventory will have on your cashflows and any underlying foreign exchange contracts allocated to them.
- Whether a 10% move up or down in the value of the Pound will leave you having to pay extra collateral against hedging contracts.
- The types of hedges you're using: Are there more suitable methods?
- Whether businesses in your supply chain are protecting themselves against FX risk and if you would suffer as a result of any adverse effects they experience.
- The small print

Change:

- A non-responsive banking relationship.
- Terms with your suppliers – are you able to get some payment flexibility if required, rather than breach any strict terms that don't make a Brexit consideration.

Go:

- Speak to people in your industry. What are they doing?
- Act on the information you've got and avoid procrastination
- Get on top of the variables that you are in control of, to reduce other distractions

Here are some simple alternative FX strategies for a business to implement instead of "sitting on its hands":

- Start small, hedge 50% of what you would regularly. This lowers the potential risk, while only giving up some of the potential upside.
- Change your product mix. Something that is happening at scale already.

What businesses should consider with their FX product mix:

1. A lower potential obligation
2. Structures which allow for upside flexibility or that can deliver a level of outperformance vs. vanilla products if your risk tolerance allows for it
3. Trades with low or zero chance of margin call
4. Work with an expert to tailor a trade that aligns with your market view, while still delivering the level of protection you require

Defining the best policy is not easy: Hamilton Court FX has an industry leading team to help guide businesses through the implementation and execution of a suitable strategy.

About Hamilton Court FX

Hamilton Court FX is one of the UK's leading providers of foreign exchange transactional advice and delivery. With clients across a range of sectors with turnovers between £5-500m and is regulated by the FCA.

www.hamiltoncourtfx.com

